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THE SALT TAX

IN

SOUTHERN INDIA

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LETTERS

BY

VERE HENRY

LORD HOBART

GOVERNOR OF MADRAS

London

MACMILLAN AND CO.

1878

Price One Shilling.

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CLASS

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R. CLAY, SONS, AND TAYLOR,
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PREFACE.

THE object which I have in view in publishing the following papers is threefold.

1. I am anxious that the experience, and also the opinions, of my husband should not be entirely lost to his country. I wish his words to live and carry on whatever good they may be capable of promoting.

2. I desire to give some record of the unwearying effort with which he tried to secure the welfare of the people of India, and especially of the people in the Presidency of Madras during the three years he was their Governor.

3. I wish to record his desire that his administration should rest rather on permanent principles than on measures passed to suit temporary difficulties.

We hear very much about the anxiety of the British people to protect our "Indian possessions," but in ignorance or forgetfulness they are rarely reminded that the surest safeguard of our Indian Empire is to be found

in the happiness of the people of India. The jealous guardianship of their well-being is an impregnable defence against all foreign foes. The armament of a people's happiness is consistent with reduced taxation, and with the rule of a Sovereign whose glory may be that in her Eastern Empire the contentment of millions of her subjects gives reality to the message of "Peace and goodwill to men," and establishes Christianity as a practical principle of Government, and as the basis for the widest toleration and closest association in one common bond of interest for people of different races and various creeds.

I am most anxious to thank the Duke of Argyll, Lord Salisbury, and Lord Northbrook for having sanctioned the publication of the following papers. Besides this, Lord Northbrook has entirely supplied the information which has made their arrangement possible and intelligible. In gratefully acknowledging his kindness it is impossible to overrate the importance of the assistance which he has so generously given towards carrying out the object which has decided me to publish Lord Hobart's minutes and letters upon the Salt Tax.

MARY CATHERINE HOBART.

THE SALT TAX

IN

SOUTHERN INDIA

THE SALT TAX IN SOUTHERN INDIA.

In a debate in the House of Commons on the 23rd of January last, Lord George Hamilton moved for the appointment of a select committee to enquire into and report upon the expediency of expenditure for "Public Works" in India.

During the debate Mr. Fawcett, as well as other speakers, alluded to the policy lately adopted by the Finance Minister of India, in order to meet the exigencies caused by the famine. Sir John Strachey proposes to raise a Famine Fund, which is to be provided by additional taxation: the object of this additional taxation is to raise a million and a half sterling, and this with the result of a re-arrangement of the existing taxation is to produce an annual sum of two millions to be available for the recurrence of such contingencies as have arisen from famine.

For this object among other measures it has been proposed to raise the Salt Tax in Southern India, and during the debate Mr. Fawcett maintained that the objections to any increase in the price of salt were overwhelming, and he mentioned that among those who had

objected to raise the duty on salt were Lord Lawrence, and much later Lord Hobart.

As the question is one in which Lord Hobart took a very deep interest while he was Governor of Madras, and in the study of which he spared no pains, and as he formed his opinion—which was a very decided one—only after a most careful consideration of the question, it seems advisable that his "Minutes" and Letters upon the subject should be made available to those interested in the welfare of the people of India. It will be seen that whereas Lord Hobart was at first decidedly anxious to agree to the proposed measure, he found it necessary to oppose it as undesirable for the interests of the people of Southern India.

In August 1872 a circular was addressed by the Government of India to the local Governments, asking for opinions as to the existing system of taxation. The late increase in taxation, both local and imperial, had been the cause of much complaint. By the circular the Viceroy invited the local Governments, and also the Governments of Madras and Bombay, to report which taxes were the causes of the discontent, and the inquiry was made "whether the duty levied on salt might be raised if funds were at the same time placed at the disposal of the local Governments, to enable them to grant some substantial remission of provincial taxation."

Early in July of the same year Lord Northbrook had asked Lord Hobart in a private letter whether an increase in the Salt Tax could be borne in the Madras Presidency in order to get rid of the Southern Inland

Customs Line, which existed between Northern and Southern India. In reply Lord Hobart wrote :—

"You asked me in your last letter, and I meant to have answered, a question about Salt. It is a very important subject, and I cannot say I think the existence of Custom House Cordons between the Indian Presidencies is creditable to us or ought to be tolerated, and the question is how to apply a remedy. *We* think you ought to lower your selling price: but whether you can do so with a due regard to financial considerations is a question of careful and not very easy calculation, and which of course must be decided by yourselves. Has it been thoroughly examined and rightly decided in the negative? On *our* part I fear it would be difficult to raise the price at all,—still less to equalise it with yours: but I will look well into the subject, and let you know the result: Perhaps you might meet us half way."

On August 10th, Lord Hobart wrote more favourably about increasing the Salt Tax; he then said in a letter to Lord Northbrook :—

"I am very glad to find that you think the Budget of next year will admit of reduced taxation. The direction in which reduction is chiefly required seems to me to be that of local

burdens, which are certainly causing great discontent, and which have an inherent tendency to increase.—We will give our best attention to the questions which you mean to refer to us. I think that if possible the Income tax should go. The amount which it brings in is not enough to counterbalance its inequitable incidence and extreme unpopularity with certain influential classes.

"I am looking carefully into the salt question—but have not yet had time to study it sufficiently. So far as I have gone, I am under the impression that we might increase our selling price without materially diminishing consumption. During the last ten years it has twice increased without any such result. The last time (in 1869-70) the price was raised (from 1 Rupee[1] 11 annas per maund of 82 lbs. to 2 Rupees) on the supposition that the Bengal duty would be lowered to an equality with it: but the Bengal duty, and accordingly the inland customs' line, remained as before. If I could be quite sure that the poorer and more numerous class would not suffer, I should most highly approve of your suggestion of an increased tax on salt, with a corresponding reduction of local taxes. As it is, the objection occurs to me, that the class which would benefit by the reduction is not the class which

[1] 16 Annas make 1 Rupee; 1 Rupee equals 2*s.*; 1 Anna equals 1½*d.*

would be injured by the increase, but one just above it. It may be, however, that the increase would inflict no appreciable injury on any class."

In a letter dated October 5th, Lord Hobart, in a private letter, again wrote to Lord Northbrook :—

"Certain figures and facts which have been brought to my notice since I last wrote to you have considerably shaken my opinion about salt. The sales for the *current* year show a tendency, which I had not expected, to a permanent diminution of consumption since the increase of our selling price (in 1869-70) from Rupees 1, 11 annas to Rupees 2 per maund,—and if this be so, a further increase of 50 per cent. would certainly be inexpedient. The question seriously affects our agricultural labourers, who are very numerous and very poor, and to whom there appear to be no means of applying a corresponding relief from taxation. It would be most desirable to get rid of the Frontier Customs line. Is it quite out of the question that you should reduce your tax? In estimating the effect upon your revenue, there would of course have to be considered the gain from increased consumption (which I should imagine might be very considerable) and the saving as regards the great expense of the frontier line. . . . I see that the consumption, per head of

population, of salt subject to the Bengal rate of duty, is strikingly less than that of salt subject to ours. I am told that this is to be accounted for in a great measure by the fact that less salt is required in a soil and climate such as that of Northern India. But is it quite certain that the comparatively high taxation is not also a cause? If it is, the case for reducing your tax would be very strong: for it is also absolutely certain that an article of prime necessity, such as salt, is not a proper subject for taxation, *in a degree which greatly diminishes consumption.*"

The official expression of Lord Hobart's opinion is given in the following Minute which was written in answer to the Viceroy's Circular:—

MINUTE by the Right Honourable the PRESIDENT, dated 13th November 1872.

"The Government of India suggests for our consideration whether the price (Rupees 2 per maund) at which salt is sold on account of Government in this Presidency might not be raised, so as to equalise the tax on salt as between this Presidency and Bengal, where the duty is Rupees 3-4-0 per maund.

"In order to decide upon the answer to be given to this question, it is necessary to consider the probable effect of the proposed measure—

I. Upon the revenue.

II. Upon the taxpayer.

"I. In regard to revenue, the result of former additions to the Government selling price of salt in this Presidency will afford some indication of the probable consequence of the course now proposed.

"In the five years ending with 1858-59, during which the Government price of salt was Rupee 1 per maund, the average yearly amount of revenue derived from salt was Rupees 54,90,382[1] (or £549,038). Allowing for increase of population, and supposing the Government price, as well as other circumstances, to have remained unchanged, the average yearly revenue from salt during the next five years (1859-64), would have been Rupees 57,41,780 (£574,178).

"But in 1859-60, the Government price was raised from Rupee 1 to Rupees 1-2-0 and Rupees 1-6-0 per maund; and again in 1860-61, to Rupees 1-8-0 per maund; and in the five years from 1859 to 1864, the average yearly revenue actually received was Rupees 82,44,505 (£824,450). From these figures, then, it appears that from the increased taxation of salt in the years 1859-60 and 1860-61, the revenue derived an advantage fully equal to the rate of the increase; in other words, that in this case

[1] *i.e.* Lacs of Rupees 54·90382—£100,000 makes 1 Lac of Rupees.

consumption was not diminished by increased taxation. It must, however, be observed, that in the year 1862 the effect of the American war upon the material interests of India began to be felt, and that the improvement was progressive during the following two or three years.

"In the five years ending 1863-64, the average annual revenue from salt in this Presidency was (as above stated) Rupees 82,44,505 (£824,450). Allowing for increase of population, and supposing other circumstances to have remained the same, the average annual revenue from this source for the following five years (ending 1868-69) would have been Rupees 86,44,282 £864,428. But in the first of these five years (1864-65) the Government selling price of salt was raised from Rupees 1-8-0 to Rupees 1-11-0 per maund; and the average amount of annual revenue actually received in the five years was Rupees 107,09,329 (£1,070,933). It thus appears that, after making full allowance for increase of population, the revenue during these five years improved in a greater ratio than that in which the tax was increased.

"In the two following years (1867-68 and 1868-69) the Government price remained as before (Rupees 1-11-0 per maund), and the average annual amount of revenue was Rupees 109,42,433 (£1,094,243). But in the year 1869-70 the

Government price was raised from Rupees 1-11-0 to Rupees 2 per maund. In the two years (1870-71 and 1871-72) the average annual amount of revenue, allowing for increase of population and supposing the Government price as well as other circumstances to have remained the same, would have been Rupees 115,52,833 (£1,155,283). The actual annual average revenue for these two years was Rupees 127,68,314 (£1,276,831). It appears, however, that as regards the first of these two years (1870-71), there were some exceptional circumstances which prevent its affording any trustworthy indication as to the effect of the increase in the tax; and we may therefore leave that year out of consideration, and take as our guide the year 1871-72. In that year (1871-72) the revenue from salt sales was Rupees 129,70,890 (£1,297,089). It will thus be seen that, although the tax had been increased by about 18½ per cent., the increase of revenue (allowing for increase of population) was only about 12¼ per cent. It might not unreasonably have been anticipated that this comparative reduction of revenue was only temporary, since it often happens that any sudden enhancement of price creates a decrease of demand from which there is a speedy recovery, and that the sales for 1872-73 (the current year) would show a tendency to such recovery. This, however, has not

been the case. On the contrary, the sales of salt for the seven months ending Oct. 31, 1872-73, show a marked diminution as compared with the sales for the same seven months in the preceding year, the revenue for the seven months of 1871-72 having been Rupees 68,83,260 (£688,326) and that for the seven months in 1872-73 Rupees 66,41,061 (£664,106). It cannot, indeed, be supposed, that this diminution is wholly or even principally, due to the enhancement of price consequent on the recent increase of taxation,—since the effect of that increase would almost necessarily be more apparent in the first than in the second of the two years compared; but the figures are at least sufficient to show that the comparative decline in the revenue receipts from sales in the year 1871-72 is not unlikely to continue.

"From the foregoing statements it will be seen that on the first two of the three occasions on which the Government price of salt has been increased during the last twenty years, the revenue derived the full benefit of the increase,—in other words, that so far as the revenue was concerned, the measure was in each case one of unqualified advantage. In the third instance (that of the rise in the Government price from Rupees 1-11-0 to Rupees 2 per maund), the result was different. In this case the revenue, though largely in-

creased, profited in a degree very considerably inferior to the degree in which the tax was augmented. The natural inference is, that to expect from the proposed increase of 50 per cent., or even from an increase of half that amount in the taxation of salt in this Presidency, a proportional increase of revenue, is out of the question. We have seen that the recent addition of 18½ per cent. to the tax added only 12¼ per cent. to the revenue. It seems reasonable therefore to believe that the utmost gain to the revenue which could be expected to result from an addition of considerably more than 50 per cent. to this tax would be 25 per cent., and it is impossible to say how much less than 25 per cent. that increase might actually prove to be.

"It must not be forgotten, however, that the proposal now before us is to equalise the salt duties throughout India; that the effect of this would be a saving to the Imperial Treasury equal to the whole expense of the Frontier Customs' line,—or in other words, an increase of the Imperial Revenue, as compared with the demands upon it, probably of about £200,000; and that a part (say one-third) of the increase might be considered as constituting an improvement, *pro tanto*, in the financial position of this Presidency. It is evident, however, that the case is not materially altered by this con-

sideration. The gain thus effected may be looked upon as an increase of £60,000 or £70,000 to the revenue of this Presidency; and this increase would not go far to compensate for the comparative loss of revenue (amounting at the least to £300,000) which we are justified in expecting, if the taxation of salt is increased to the extent now proposed.

II. We have now to consider the effect of the proposed additional taxation upon the tax-payer. Upon this point also the most obvious method of forming a judgment is to inquire, what has been the result to the tax-payer of former similar measures? An answer to this question, so far as regards the first two occasions on which during the last twenty years the fiscal impost upon salt in this Presidency was increased, is furnished by the figures above cited. Thus, in the five years ending with 1863-64, during the first two of which the Government price was increased from rupees 1 to rupees 1-2-0, rupees 1-6-0, and rupees 1-8-0 successively, it has been seen that the revenue derived the full advantage of the increase, which is the same as saying that the consumption per head of population showed no diminution on account of that increase. (The actual average consumption of salt in each of those five years, and in each of the preceding five years when the Government price was only 1 rupee per maund, was Indian maunds

59,83,347 and Indian maunds 53,51,753 respectively). Again, in the five years ending with 1868-69, in the first of which the Government price was increased to rupees 1-11-0 per maund, as compared with the preceding five years, during which it was from rupees 1-2-0 to rupees 1-8-0 per maund, it has been shown that, making due allowance for increase of population, the revenue increased in greater proportion than the tax; or in other words that, in spite of the additional taxation, the amount of salt consumed per head of population considerably increased.

"On the third occasion, the year 1869-70, when the tax was raised from rupees 1-11-0 to rupees 2 per maund, we have seen that the result was different. In the two years which followed that change, the increase of revenue, though considerable, was not (allowing for increase of population) equivalent to the addition which had been made to the tax; which is the same as saying, that in these two years, as compared with the two years preceding the addition to the tax, the consumption of taxed salt per head of population decreased. Taking (as before) the most favourable of the two first-mentioned years, we find that the actual sales in that year were 66,38,955 maunds. If the consumption per head of population had not diminished, they would have been (allowing for increase of population) in round figures 68,00,000 maunds. It

is of course possible that this deficiency in the sales of Government salt may have been more or less counterbalanced by an increase of illicit sales. How far this has been the case it is impossible to say. But it may fairly be assumed that the figures referred to represent, in part at least, a real diminution in the consumption of salt, from whatever source obtained. And even supposing that the deficiency in the sales of Government salt was entirely compensated by illicit sales consequent on the enhanced tax, the question at issue is not materially affected. The evil in that case due to the increase of the duty would be the moral evil implied in illegal transactions, instead of the physical evil implied in the diminished consumption of salt.

"The result, then, of former experience, in regard to this question, considered with reference to the interests of the revenue as well as to those of the tax-payer, is as follows:—that whereas it has been possible to increase the taxation of salt in this Presidency,—which stood in 1858-59 at 1 rupee per maund,—first to rupees 1-8-0, secondly to rupees 1-11-0 per maund, with an advantage to the revenue fully equal to the rate of the increase, that is to say, without any such effect upon the tax-payer as to diminish consumption, the effect on the further increment in the year 1869-70 was, on the contrary, to increase the revenue in a rate very unequal to that in which

the tax was increased, and to injure, in no inconsiderable degree, the tax-payer considered as a consumer of salt. The fair inference seems to be that the proposed further addition, much greater than any that have preceded it, to the taxation of this article, would increase the revenue in a far inferior degree, probably by not more than 25 per cent. at most, and would materially reduce the amount of salt consumed in this Presidency."

"Now it is to be observed that salt is an article so essentially important to health and life, that to tax it in a degree such as greatly to diminish consumption cannot but be objectionable. However valuable as a fiscal resource, the tax would be unjustifiable if it were fixed at such an amount as to prevent the poorer classes from obtaining as much salt as may be necessary for the preservation of health. There seems no reason to suppose that the existing Government price of salt in this Presidency has such an effect, at least in any serious degree. The average annual consumption is now about 14 lbs. per head of population; and if we suppose that this indicates on the part of the poorer class a consumption of about 12 lbs. per head, it can, perhaps, hardly be said that the quantity consumed by that class is decidedly insufficient to maintain health: the maximum quantity of salt which ought annually to be consumed by an

adult having been estimated by scientific authorities at 14 lbs. per head. But any measure which would result in a considerable diminution of the quantity now consumed would obviously, under these circumstances, be unsafe as regards the health, to say nothing of the comfort, of the more indigent classes of the population; and the tax upon salt would in that case assume the objectionable character of a tax greatly restricting the consumption of an article not only of universal consumption, but of the very first necessity.

"The figures above cited indicate a strong probability that the taxation of salt in the Presidency of Madras has reached a point beyond which it ought not to be carried. But they cannot be considered as absolutely conclusive, and it becomes, therefore, desirable to test their value, so far as may be possible, by other considerations. There are then in this Presidency some sixteen millions of persons who may be considered as belonging to the class either of "pauper ryots," or of agricultural labourers. In these classes the average income of a family consisting of five persons is probably on the average, and expressed in money, not more than rupees 120.

"At the present average retail price of salt,[1] and taking the amount of salt consumed per head of population at 12 lbs., the quantity consumed

[1] 338 Rupees per garce.

annually by such a family would be 60 lbs., and its cost about rupees 2, of which about rupees 1½ represents taxation. A tax of rupees 1½ annually upon so necessary an article as salt may be considered as amounting to a direct tax of 1⅓ per cent. upon the income of the poorest class of the community; and it certainly cannot be said that such a tax is of trifling importance, or that its increase from less than rupees 2 to rupees 3-4 per maund could not by any possibility be productive of serious evil.

"It must, however, be borne in mind, that what is now proposed is, as may fairly be taken for granted, not to add to the burdens of the population in order to increase the revenue, but to add to them in one place with a view to diminish them in another. I assume that in this case the whole addition to the revenue which might be expected to result from the proposed measure would be applied in some manner to the relief of tax-payers in this Presidency; and this consideration constitutes, *pro tanto*, an important argument in favour of the proposal. But it is to be observed in the first place that (as before shown) an increase such as that suggested in the Government price of salt in this Presidency might very possibly produce an increase of revenue so small as to afford to the tax-payer a very inadequate compensation for

the enhanced price of his salt. In the next place, we have in this Presidency a class of agricultural labourers numbering, with their families, some ten millions, by whom, on the one hand, the dearness of salt would be felt more oppressively than by any other class, and to whom, on the other, there seems to be no possibility of applying directly the relief from taxation for which the increased receipts from salt would provide the means. They would participate to some extent in the relief which might thus be given to any class upon which direct taxation falls, but they are themselves subject to no such taxation, and could not, therefore, be relieved from it.

"The immediate object of the proposal under consideration being the abolition of the Frontier Customs' line, and there being (as has been shown) strong reason to believe that it would be inexpedient to add to the taxation of salt in this Presidency, the alternative is a reduction of the rate at which salt is taxed in Northern India. Whether such a measure is possible without a considerable sacrifice of revenue, and whether that sacrifice would or would not be greater than the Imperial Treasury can bear, it is not for this Government to decide. *Prima facie*, it would seem probable that a reduction of the tax upon salt in Upper India might be followed

by an increased consumption of this as well as of other tax-paying articles such as would in no unimportant degree diminish the consequent loss of revenue, which loss would be still further counterbalanced by the gain to be derived from the abolition of a cumbrous protective machinery, the expense of which is not its only evil."

In January, 1873, Lord Hobart went to Calcutta, and during the visit he found, as he expected, that the policy adopted by Lord Northbrook was one with which he was almost entirely agreed. This was a very great satisfaction to him at the time, and ever after, and joined to a friendship of many years' standing, explains the entire confidence with which he freely expressed his opinions in his letters to Lord Northbrook. Soon after leaving Calcutta, Lord Hobart expresses in a private letter to the Viceroy, in very plain words, his views upon Taxation; and though the extract rightly belongs to the correspondence upon Taxation, it is a key-note to the principles which caused Lord Hobart so decidedly to oppose the increase of the Salt Tax. Writing from "Government-House, Bombay, January 31, 1873," he says :—

"At this moment, it is my belief that the Minister of Finance holds the key of Indian loyalty, for I am so far an alarmist as to believe that recent fiscal measures in taxation have caused most serious mischief, and that taxes are now paid

with curses the deeper because they are scarcely heard. Your principle I understand to be to pacify all classes by reducing taxation or arresting its progress so as to disabuse them of the fear that there is more to come; and for this purpose to sweep away on the one hand the income tax (machinery and all), and on the other to simplify and reduce some of the taxes which press upon the poorer class.

"To give full effect to this, the local Governments must consult and aid you; and I can answer for Madras. I think I understood you to anticipate a surplus sufficient for these measures; but (as I said) if I had not a surplus I would *make* one by reducing expenditure.

"Popular content is better than public works.

"P.S.—On reading over this letter I fear it looks in some parts like giving advice beyond my province; but you spoke to me so freely on these subjects that I have not hesitated to say just what I think about them."

The idea of raising the Salt Tax in Madras and Bombay for the sake of applying the proceeds to the remission of local taxation was given up, and the most objectionable of the local taxes, the non-agricultural cess in Bombay, and the House-tax in Madras, were abandoned without imposing any taxes in their stead.

But complaints were received of the operation of the

Inland Customs preventive line in the Central Provinces, and the Viceroy, being anxious to abolish it, a proposal was made in February 1873 to the Government of Madras and Bombay for the purpose; the plan included a slight increase of the Salt Tax in Madras and Bombay; and the reasons are fully explained in the following letter:—

"*From the* SECRETARY *to the* GOVERNMENT OF INDIA, *Department of Agriculture, Revenue and Commerce* (*Customs*) *to the* SECRETARY *to the* GOVERNMENT OF MADRAS, *dated Calcutta, 14th February,* 1873. *No.* 23.

"[Confidential.]

"I am directed by His Excellency, the Governor-General in Council, to submit confidentially for His Excellency's consideration and early expression of opinion a sketch of the measures which His Excellency in Council would desire to see adopted in view of the abolition of the lower section of the Inland Customs line which, seven hundred and ninety-four miles in length, stretches across the continent of India from Burhampore to the banks of the Mahanadi, dividing the Central Provinces and Berar from Madras, Bombay, and the Nizam's Territories.

"2. This line has at various times been the subject of grave complaints as an inevitable hindrance to trade and traffic, and a source of more or less

oppression to the populations resident in its immediate neighbourhood; and without in any way underrating the care with which its administration has for some years been supervised, His Excellency is convinced that some foundation must always continue to exist for such complaints so long as the line itself is maintained.

"3. Nothing could possibly afford His Excellency greater satisfaction than the abolition of the entire line, which stretches as a barrier more than 2,500 miles in length, from beyond Attock nearly to the Bay of Bengal. Unfortunately, nearly two-thirds of the line are required for the protection of a revenue of several millions sterling against the introduction into our territories of untaxed salt, which the Government of India cannot tax, or is debarred by political considerations from taxing at its source. But the remaining third, which exists merely to catch a differential duty on British salt passing from one British province to another, is becoming yearly, as trade develops and communications are opened out, more and more objectionable and anomalous; and towards the abolition of a portion of the line at any rate, since more cannot at present be attempted, His Excellency confidently looks for the co-operation of the Governments both of Madras and Bombay.

"4. The Government is not, however, able to carry out the abolition of the Central Provinces line

without simultaneously taking steps towards diminishing somewhat the great existing inequality in the rates of the salt duty in Southern and Northern India, and the adoption of special measures in regard to Bombay rail-carried salt and Madras salt produced at works contiguous to the Bengal frontier.

"5. While abolishing the Customs' Line, His Excellency believes that the retention of a differential duty in some shape in Bombay railway-carrying salt is at present inevitable. Kôkan salt, paying the 'full' rate of duty, already occupies the Jubbulpore market, and competes in that of Allahabad; a difference of only twelve annas in its favour would land it at the same price at which it now stands at Allahabad five hundred miles further up and down the line; and enable it to displace the Rupees 3, and Rupees 3–4–0 duty-paying salt from the consumption of at least fifty millions of people, involving not only a large sacrifice of revenue but a sudden and fundamental derangement of the salt trade on this side of India.

"6. Having in view the expediency of diminishing as much as possible the interference of inland customs officials with merchandise and traffic, the measure that at present commends itself to His Excellency in Council is to arrange with the Great Indian Peninsular and Bombay and Baroda Railways to fix their freight for salt at

such a rate as should cover both the customary railway charges and a duty graduated according to the distance the salt has to be carried, and so arranged that the duty thus levied should on salt carried the whole way to Jubbulpore, or beyond it, equal the difference between the Northern and Southern rates; at Nagpore and Seonee half that difference, and at all intermediate stations, counting from Bhosawel, a proportion of such difference corresponding to the distance the salt is carried. Looking to the great advantage of obviating the necessity of customs interference inland with railway traffic, His Excellency does not doubt that the Bombay Government will gladly lend their aid to the practical elaboration of this measure.

"7. On the opposite side of India a somewhat analogous and yet in some respects a widely-different problem has to be solved. Where the frontiers of Bengal and Madras are conterminous we have at present on either side of an artificial line similar races under similar physical conditions paying respectively a duty of Rupees 1–13–0 and Rupees 3–4 on the salt they consume. The inevitable consequences have resulted: a strong cordon of police posts has to be maintained, smuggling is rife, and a still greater hindrance to trade exists than in the sparsely populated tracts for the most part traversed by the Central Provinces Line.

"8. His Excellency greatly desires the abolition of these preventive posts, and to see the freest interchange of produce between Orissa and the trans-Godaveri districts of Madras; but without the co-operation of the Madras Government the administrative difficulties would be almost insuperable; and he is sanguine that such great public objects (designed equally to benefit the populations on either side of the frontier) being at stake, that Government will not hesitate to meet him half-way.

"9. His Excellency would ask the Madras Government to consider the trans-Godaveri districts, which are mainly composed of permanently settled estates, by themselves and apart from the rest of the Presidency, and to agree to the imposition at the Ganjam works of a duty intermediate between the general Southern Indian and the Bengal rates, but not exceeding a maximum of Rupees 2–8; and at other works lying between Ganjam and the mouth of the Godaveri of a graduated duty bridging over the difference between that adopted for Ganjam and that south of the Godaveri, which will be the general South-Indian rate. In pursuance of the same policy, His Excellency purposes to lower the rate of duty now levied on salt manufactured in the Pooree district to Rupees 2–12–0, and on that produced in the Cuttack district to Rupees 3, thus by a series of easy steps connecting the low

duty of Rupees 1, 13 annas of Madras with the Rupees 3–4 duty at Calcutta.

"10. These measures however (designed to shade off gradually the harsh lines of demarcation of widely different rates) are, although necessary adjuncts, subsidiary to the main question on which depends the possibility of abolishing the 800 miles of the Central Provinces line. At the existing general rates of duty, the proposition could not be entertained.

"11. In His Excellency's opinion, a certain increase to the duty in Southern India generally is inevitable, but he entirely concurs in the views expressed by His Excellency the Governor of Madras in a recent Minute, that that increase cannot be large, and he hopes, in consultation with the Governors of Madras and Bombay, to be able to settle its exact amount satisfactorily to them, and yet without loss of revenue to the State.

"12. Assuming the various measures above indicated to be adopted, His Excellency believes that an uniform rate of Rupees 2 for Southern India, exclusive of the trans-Godaveri districts, where it would range from Rupees 2 at Coconada to Rupees 2-8 at Ganjam, would fulfil all the conditions, and, while enabling him to dispense with nearly a thousand miles of Inland Customs lines and Police Customs posts, would afford to the people of Madras and Bombay uninterrupted

freedom of internal commerce with Bengal, the Berars, and the Central Provinces, besides giving a great stimulus to their salt trade.

"13. His Excellency desires it to be clearly understood that this measure is undertaken without any view to enhancing the aggregate revenue derived from salt. His sole desire is to make a substantial move towards the abolition of those internal customs barriers, which, however, carefully managed, must impede traffic, and which, according to the reports recently received from the local officers in the Central Provinces, are attended by serious evils.

"14. According to the most careful computations possible, the financial effect of the measures above indicated, if adopted in their integrity, will be to give some ultimate increase in the revenue derived from salt; and in anticipation of this increase, His Excellency is prepared to make an increased annual allotment, commencing with the coming financial year, to those Presidencies which are called on, in pursuance of an Imperial administrative reform, to bear additional taxation.

"15. His Excellency has devoted much consideration to the question of strengthening the hands of the local administrations, and relieving them from the necessity of provincial taxation by allotting to them a certain fixed proportion of future net increase of revenue, but he is not

at present in a position to decide whether such a measure can be generally adopted, or, if it be adopted for certain branches of the revenue, whether that derived from salt could properly be included amongst these, and the present case must therefore be dealt with apart from such considerations. His Excellency has not specifically referred to a very necessary measure, the equalisation of the duty through the several districts of the Madras Presidency, because he believes that it is already under the consideration of the Local Government. It seems clear that henceforth a rate of duty should be fixed for Madras the same as that adopted for Bombay, which shall be paid alike on all salt, whether imported or manufactured by Government or private parties, it being left to the Madras Government to fix in each district by executive order the sale price of its own salt at such a figure as shall cover all expenses connected with the manufacture, transport, and sale of its salt, without trenching on the fixed rate of duty, the whole of which should pass intact into the Imperial Exchequer.

"16. Looking to the special circumstances of the case, and to the fact that the entire burthen of this administrative reform, by which the Central Provinces will, it is hoped, benefit, devolves on Southern and Western India, His Excellency proposes to allot £40,000 to Madras, and £25,000 to Bombay, as an additional provincial assign-

ment, for the purpose of enabling the Local Governments to lighten the pressure of provincial taxation.

"17. The trans-Godaveri districts of the Madras Presidency have still to be considered. Bearing in mind that these will be subjected to an extra taxation, over and above that paid by the rest of Southern India, His Excellency is disposed to make an extra annual grant of £10,000 for local expenditure in those districts.

"18. His Excellency regrets that he is not in a position to make still more substantial concessions; but having frankly and freely explained his views, and having set aside for the benefit of the Southern Presidencies all that due consideration for the financial interests of the Empire allows, he confidently trusts that this measure will be accepted in the same spirit; and that the Governments of Madras and Bombay will unhesitatingly co-operate with him in striving to give effect to the great and desirable reform at which the arrangements above indicated aim.

"19. The earliest possible reply to this communication is solicited."

Though the official letter in answer to this letter is not forthcoming in time for the appearance of these papers, Lord Hobart's official answer is given in the following Minute, which is dated February 27, 1873:—

MINUTE by the Hon. the PRESIDENT.

"I think our answer to the Government of India should be somewhat as follows:—

"This Government agrees with the Government of India, in the opinion that the existence of a Preventive Customs Line, between Northern and Southern India, is an evil of a serious magnitude, and one which it is extremely desirable to remove, if its removal can be effected with a due regard to the interests of all parts of the Empire.

"2. But the maintenance of such a barrier is only one of the evils attendant upon the system—so anomalous and so opposed to sound financial principle—of differential duties, as between the various Provinces of the Empire, on an article of universal consumption; and this Government would have been glad if the Government of India had found it possible to adopt the more simple and obvious remedy which consists in the equalisation of these duties. Any considerable increase in the taxation of salt in this Presidency would be (for reasons which have already been explained by this Government, and are considered conclusive by the Government of India) most undesirable; and the equalisations of the duties could therefore only be effected by reducing the duty levied in Upper India to the level, or nearly to the level, of that in Madras. The Government of Madras had been inclined to hope that such a measure might have been, wholly or in

great part, effected in the present year, and they were in that case prepared to agree to a small increase of the tax in this Presidency, in consideration especially of the immense benefit which the measure would have conferred upon the vast and populous territories of Upper India.

"3. The Government of India, however, are now proposing to deal exclusively with the evil involved in the maintenance of the Preventive Customs Line as against Southern India, and (while continuing and even carrying still further the present system of differential duties) to dispense with that line by means of an arrangement of some complexity, the object of which is to provide that salt subject to the lower taxation of Southern India shall not supplant in the market salt which is subject to the higher duty of 3 Rupees and Rupees 3-4-0 per maund.

"4. The Government have now to consider the effect of the arrangements thus proposed upon the interests of this Presidency.

"5. A general increase of 3 annas in the salt tax will be an increase of no inconsiderable importance. As has already been explained to the Government of India, there is good reason to suppose that the last addition to the salt tax in this Presidency (of only 5 annas) caused a very decided decrease of consumption; and it is to be feared that this new enhancement of the tax would have a further effect in that direction. As regards the

trans-Godaveri districts, where the proposed increase of taxation is much more considerable, the case will of course be worse. And it unfortunately happens that the district of Ganjam is, from the poverty of its population, and its liability to frequent periods of scarcity, less able to bear the heavier burden than almost any district of the Presidency.

"6. Further, it is to be observed that the amount of additional taxation which it is proposed to place upon the Presidency, and which would fall chiefly on the poorer class, would be Rupees 18,25,143 (£182,514, I take Mr. Sim's figures). In compensation for this serious addition to the public burdens, Rupees 500,000 is offered by the Government of India, to be applied in the reduction of local taxation. It is evident then that the compensation offered is inadequate to the burden imposed; but unfortunately this is not the only objection; the class by which the increased pressure will be most severely felt is the poorest and most numerous class in the Presidency, that of 'agricultural labourers,' whose number (with their families) may be taken at about ten millions; and it is this class which would most acutely feel the pressure, while it would have no part in the compensation. 'Local cesses' do not affect field labourers. Compensation would be given for a measure restricting the labourer in the use of that which is essential to his health and life;

but it would be given, not to the labourer, but to the ryot who employs him.

"7. The maintenance of a Frontier Customs Line, as between different districts under the same government, is doubtless a great evil, not only from an economical, but also from a social point of view. But, for the reasons stated by Mr. Sim (and which should be shortly explained in our reply), the interests of this Presidency are not so directly affected by the Preventive Line as that its abolition can be weighed in the balance when there is question of providing a direct, substantial, and easily intelligible compensation for the enhancement of the salt duty in Madras.

"8. It would appear, then, that the proposed measure would effect its object—the abolition of the Frontier Preventive Line—at serious expense to the people of this Presidency, and at the cost especially of the more indigent portion of the community, who, while paying a higher price for an article of food indispensably necessary to life, would derive no appreciable advantage either from the obliteration of the Frontier Line, or from the relief afforded to local taxpayers. I would add, that for these reasons we are unable to recommend, so far as this Presidency is concerned, the adoption of the contemplated arrangements. We have thought it right, after giving our best attention to the proposals of the Government of India, to state fully the views which we

entertain with regard to them. We trust that after a full consideration of these views, the Government of India will no longer be desirous of giving effect to the proposed measures; but it is unnecessary to say that, if we are disappointed in that hope, we shall do all in our power to ensure them prompt and effectual execution.

"N.B.—No time should be lost in sending our answer, as the financial statement is near at hand."

In a private letter to Lord Northbrook of the same date, Lord Hobart says:—

"I am very sorry to say I cannot agree with you about salt. I thought it was settled between us that your duty (except for Bengal) should be reduced to two Rupees, and ours raised to it. With that I should have been well content, but shall be obliged to give an opinion against your present proposals, which will not suit us at all. Is it too late to take a similar course and one less open to certain telling objections which are sure to be made? It will look bad to take off income tax, and at the same time to raise salt tax. I would rather have dealt with the other in a large and liberal way. You could have done it without loss of revenue as a *set off* against the abolition of the income tax."

On the 12th March, Lord Hobart again writes privately from "Government-House, Guindy Park":—

"I feel sure you are right about the income tax. As to salt, our official letter will fully explain our objections to the particular proposal made to us.

"If Temple is right in the figure he has given you, it is clear you cannot now reduce the tax in Upper India as was proposed. But is he right? And has he taken into account the saving in respect of the Customs Line, and the gain from increased tax in Madras, and Bombay, (I think we could not stand an increase to as much as 2—4) as well as the *certain* increase of consumption, whatever it may be, wherever the tax is lowered? I left with you a short memo: of mine (based on the figures given in a very able memo: on salt by one of your officers, whose name I forget), estimating that a reduction of the tax to two Rupees *throughout* Upper India, with a corresponding increase in Madras and Bombay, would involve a loss of not more than £200,000.

"However, Temple is answerable for the figures; and they are of course more likely to be right than mine. I will only say they simply astonish me. I am convinced of this—that, though there may be no outcry against salt in Upper India, the high duty is a great hardship there, and that whoever would reduce it would be conferring an

immense boon upon the people which they would intensely appreciate."

Again, March 27th, Lord Hobart wrote from Madras in a private letter to the Viceroy :—

"I congratulate you on having got rid of the income tax : and I hope that what has been done at the same time in regard to the local taxation will stop the mouths of "ad captandum" objectors.

"Next year perhaps you will be able to deal with salt. Temple's figures must have been arrived at on the supposition that there would be little or no increase of consumption, a matter in which financial departments are no better qualified to judge than other people : and I am satisfied that he is wrong. Now suppose the increase to be from nine lbs. to eleven lbs. per head, it is impossible that the loss of income would be anything like £587,000. I say this only to show in what direction I think the error lies. You will know best whether or not I am right."

Lord Hobart did not agree with the proposal made in the official letter from the Government of India, dated February 14, 1873. The Government of Bombay having also raised some objection to the plan, no action was taken, and the general view adopted by the Government of India, about salt, is given by the

Viceroy in the following extract from a Minute upon the Income Tax, dated April 14, 1873 :—

"There is one portion of the financial system of India which has occasioned much complaint. I refer to the Inland Customs line, the evils of which have been particularly brought to the notice of Government by the officers of the Central Provinces.

"This line is maintained in order to prevent salt, which is the produce of the Native States in Rajpootana, and therefore pays no duty, from entering our territories, and also to prevent the more lightly taxed salt of Madras and Bombay from entering those provinces where the higher duty is in force. We have been in communication with the Governments of Madras and Bombay with the view to the abolition of the southern portion of the line. We proposed to abolish that portion of the line, provided that the salt duty was raised from Rupees 1-13 to two Rupees in Madras and Bombay, and to divide between the Madras and Bombay Governments the whole net increase of revenue, amounting to £75,000, which was calculated to accrue from the operation. The view which we entertained was expressed as follows :—

"'His Excellency desires it to be clearly understood that this measure is undertaken without any view to enhancing the aggregate revenue derived from salt. His sole desire

is to make a substantial move towards the abolition of those Internal Customs barriers which, however carefully managed, must impede traffic, and which, according to the reports recently received from the local officers in the Central Provinces, are attended by serious evils.'

"I hope that, although the Governments of Madras and Bombay have raised some preliminary objections, this arrangement may still be carried into effect, and a large portion of the Customs line be abolished. The Government considered and dealt with the subject on its own merits before they considered the budget, and entirely apart from the income tax.

"The abolition of the other or northern portion of the Customs line depends upon the possibility of making arrangements with the Native States, in whose territories salt is produced, to prevent it from being introduced into British territory without the payment of duty. Although the object is one which may be properly kept in view, I can see no such immediate prospect of attaining it as would justify me in advocating the reimposition of the Income tax for the purpose of facilitating any such arrangements."

. . . . . .

During the summer of 1873 the question of abolishing the Southern Customs line was again revived, and Lord Northbrook wrote privately to Lord Hobart, as follows:—

"I send you a draft of a letter[1] which I think of writing to you about the Salt tax and the Inland Customs line. I am sure the abolition of that line is one of the first steps to take as regards finance, and if I can make a beginning in getting rid this year of the southern line, I shall feel I have been of some use in my generation.

"I hope you will be able to agree to our proposal, and if you would like any modification of the letter I shall be only too glad to consider any suggestion that may occur to you.

"My object in sending it is to avoid all needless controversy."

On June 28th, Lord Hobart wrote an answer:—

"I have just received your letter and enclosure about the salt question, but have not had time yet to read it carefully. I see that your draft letter argues in much detail the question of whether any increase of tax here would diminish consumption. But even if it had not that effect, I confess I have the greatest reluctance to increase a tax, which is, in fact, a poll tax upon the poor and helpless peasant of India. He would lose directly and palpably by the increased taxation,

[1] Unfortunately no copy of this letter has been found among Lord Hobart's papers.

whilst he would profit *most* indirectly and inconveniently by the compensation to be given to us, and by the advantage to trade and social intercourse. If I might say it, I don't want your Viceroyalty (which is winning such golden opinions) to be associated with any such apparent injury to the millions who have no one to plead their cause. Of course I know that, in the general interest, there is much to be said for your proposals, and moreover that (as you have shown) you have the welfare of the poorer classes sincerely at heart: but the public only looks to salient facts, and is sure to misunderstand and misrepresent you. However, I have the greatest objection to the frontier line, and need not say that I will read your draft-letter with the most anxious attention, and see if I can agree. When I thought that you could have lowered your duty to Rupees two, I would without hesitation have acquiesced in the increase of ours to that figure, because it appeared to me that the interest of the Madras peasantry might not unjustly yield to the interest of the much-more numerous peasantry in Upper India. Now there is not the same motive. I suppose it is now considered out of the question that you should (even omitting Bengal) reduce your rate to ours. I wish it were not so."

Lord Hobart's answer to the Viceroy's proposals are most fully and deliberately given in the following letter :—

"I have read and considered with the most careful attention your proposed letter about salt.

"Most of the arguments are of great importance with a view to a right decision, and the whole letter seems to me to be very closely, fairly, and cogently reasoned: but I am obliged to confess that I am not convinced. Even if the extra four annas for the trans-Godaveri districts could be given up, I do not think that we ought to acquiesce in the measure.

"The ground which I take is this. The proposal involves an increase of taxation upon an article necessary to the life and health, affecting principally the class of agricultural labourers (of whom there are some ten millions) in this Presidency, and which by your figures amounts to about £100,000 annually, and by ours (which I think are at least as near the truth) to a great deal more. For this, compensation is offered to us, directly in the shape of £50,000 a year, and indirectly in the advantages resulting to trade from the abolition of the Customs line. But unfortunately, the compensation would be no compensation, worth mentioning, for the class chiefly affected: for after reading your letter, I must still maintain, (first) that it would be impossible to apply this £50,000 so as to give any such advantage to the labourers as would be *felt* by them to be any substantial consolation for the increased dearness of their salt: and

(secondly) that the benefit to be derived from the improved commercial intercourse would affect only a very small number of our agricultural labourers, those near the frontier Custom line, and these very partially, indirectly, and inconsiderably. But you contend that the increase of the tax would be so slight as not to be felt by the labourer. Taking our figures, he now pays on his salt (which he *must* have) a tax equal to $1\frac{1}{3}$ per cent. upon his yearly earning, and to increase this tax by nearly 11 per cent. (it is about $10\frac{7}{8}$) could not be otherwise than a serious injury to him. Taking *your* figures the case in this respect is not materially altered.

"You say that we were ready to agree to the increase, if the tax had been reduced for Upper India generally to two Rupees, and therefore that we ought to be ready to do so now, when you assure us that the Imperial gain from the abolition of the line will be greater than from such a reduction. From what I know of the facts and figures, and judging from human nature and from experience, I find it very difficult to understand how this can be the case; but admitting (for the sake of argument) that it is so, my answer is, that with the reduction to two Rupees the empire would have at the same time gained (as a matter of course and by implication) this very abolition of the Southern Customs line. By the present proposal, the only Imperial gain

is the abolition of the line: by the former there was:—1. The large reduction of the tax; 2. The abolition of the Southern Customs line; 3. The equalisation of the rate throughout India. For these three advantages to India generally, we were prepared to incur on the part of Madras the sacrifice involved in the increase of our tax by 3 annas; for *one* of them, and that in our view not the greatest, we were not so prepared.

"Again, supposing that (which I think cannot be admitted) you had succeeded in showing that there was no reason to believe that the effect of the measure would be a diminished consumption of the salt here, that could only mean that the injury to the consumer would not be so great as we apprehended. It would not mean that he would suffer no injury from it. For what is certain is, that whether he consumed less salt or not, his salt would be dearer. The salt tax is a tax from which he cannot escape:—it is in effect a poll tax: and it is a mere truism to say that you cannot increase a poll tax without its being (*pro tanto*) more severely felt.

"I heartily wish that I could agree with you in this as I do in so many other most important questions."

To have assisted Lord Northbrook in his wish to abolish the Frontier Customs line would have been

more in accordance with Lord Hobart's general views of financial policy, but the interests of the poorer classes in the Presidency seemed to necessitate an opposition which on other accounts he would have gladly waived.

On July 6th Lord Hobart wrote the following letter to the Secretary of State for India, the Duke of Argyll:—

> "Some few months ago I wrote to you respecting a proposal which the Government of India had made to us, confidentially, with a view to the abolition of the Southern Frontier Customs line —the line which divides Peninsular India from Upper India—for the purposes of the salt tax. The proposal was to dispense with all necessity for the Customs line by raising the salt duty in this Presidency generally by about 10⅜ per cent. (3 annas per maund it is now, 1-13 Rupees); and as regards those parts of the Presidency which are near the Customs line to apply a sliding scale of salt tax, implying a much larger increase of the tax. By this complex arrangement, it was considered that the conditions would be so far equalised, that the revenue would not seriously suffer by the importations of the more lightly taxed salt of Madras into Upper India, and therefore that there would be no need of the line.—Corresponding arrangements were to be made for Bombay, and £50,000 a year was to be given as compensation to Madras, and a proportionate amount to Bombay.

"We opposed the scheme (1) because there is fair reason to suppose that any further increase of the salt tax here would diminish the consumption; (2) because to diminish the consumption of an article so necessary to life and health as salt is a great evil; (3) because the compensation (£50,000) offered is small compared with the extra taxation to be imposed, and which we estimated at £180,000; (4) because there is no way of applying this £50,000 in compensation to the class of agricultural labourers, who number some ten millions, and who would be the sufferers; (5) because Madras, for geographical reasons, suffers very little from the effect of the the Customs line; because the Frontier Customs line is only one of the evils incidental to the system of differential taxes on salts, for which the simple and obvious remedy was the equalisation of the tax throughout India.

"For this purpose we should have been ready (though at the sacrifice of this Presidency) to agree to a small increase of our duty, but not for the partial and complicated remedy proposed, which not only did not cure, but increased the great evil—the existence of a differential rate of duty as between the different provinces of the Empire.

"I was in hopes that our opposition had induced the Government of India to abandon the proposal: but Lord Northbrook sends me, quite *privately*,

the draft of a rejoinder which he thinks of writing to us, which argues the question in detail, and yields only to the extent of lowering the rate of the "sliding scale" duty which I have mentioned (I enclose a copy of a private letter which I have written to him in reply).

"Of the extreme unpopularity which this measure would bring upon this Government I should say nothing, but for the consideration that the great unpopularity of a proposed tax is always a cogent reason against it.

"It would be far better to leave the Southern Customs line alone for the present, than, just after we have removed the income tax, from the rich, to increase not inconsiderably that which is in reality (considering the nature of the article taxed) a poll tax upon the poor. Possibly my letter may prevent Lord Northbrook from pressing the measure; but I am afraid that it may not have that effect.

"Lord Northbrook has satisfied himself that it would not be safe to diminish the salt tax for Upper India, which would (if it were feasible) be the most satisfactory course, and would win for him and the English administration in India a popular gratitude from which I should anticipate the very best results. I confess that for me it is very difficult to believe that this might not be done."

In the letter of July 2, 1873, to Lord Northbrook, as

well as in his letter to the Duke of Argyll, Lord Hobart's reasons are given for objecting to even a small increase of the salt tax. The proposal to make any general increase was, in consequence, given up by the Government of India, and the abolition of the Southern Customs line was carried out by establishing a graduated scale of duty between Bombay and Bengal, and between Madras and Bengal.

Lord Hobart's first impressions upon the proposals made were still in opposition to the measure in spite of all its advantages, and his letter to Lord Northbrook, of Nov. 7, 1873, fully expresses this. He writes from the Nelgherries—

"I fear that you will think me very obstinate about salt: but the truth is that I could not bring myself to agree to any increase in this—the only tax which affects directly the consumption of the poorer classes anywhere in this Presidency. The particular increase which you suggest would, on the one hand, be of very considerable amount, and on the other would affect, though only a part of the Presidency, the very districts where the people are least able to bear any additional burden.

"The trans-Godaveri districts contain a population of about five millions, who keep us in constant anxiety by their poverty and liability to famine from drought, which has of late years dealt very severely with them.

"As you say, the removal of the line must benefit (more or less) the districts adjoining it; but as regards the salt trade there would in this case be very little advantage to any one but the Government; and whatever benefit might result from the improved commercial intercourse would be felt so indirectly by the majority of the population as to be nothing like an adequate compensation to them for the greatly increased price of their salt.

"But really, from a financial point of view, I doubt if there could be any such very great advantage in the proposed exceptional treatment of these districts. Smuggling has already almost beaten us there, and would receive an immense impulse from any addition to the tax.

"Then there is the objection to carrying further the system of differential taxation, and the objections to competitions in finance which are always *pro tanto* undesirable. My own belief is (but of this of course you are a better judge) that, what with the gain as regards the Customs line, the increased consumption of salt, and the stimulus to general trade, the revenue will suffer but little, and after a year or two not at all, by the abolition pure and simple of the line; and the measure will be the most easy and most natural step to the ultimate equalisation of the tax throughout India."

Though no official objection was made to the measure which was passed by the Government of India on the 21st of April, 1874, and though Lord Hobart was most fully alive to the very great consideration with which his arguments were weighed by the Viceroy in the public and private correspondence, the following extract of January 1, 1874, explains his private view of the matter in reference to a concession which it was supposed he had made. He said:

> "Now the *very most* that I ever thought we ought to agree to was a general increase of 3 annas a maund; but this was only *on the understanding* that you were going to make a very considerable reduction in the salt tax in Upper India. I thought this Presidency might make the sacrifice for the general good.
>
> "When, however, this reduction was no longer proposed, my concession was 'ipso facto' withdrawn. There was no longer the same reason for it; *except* on the condition which I have mentioned, and which was afterwards withheld, I have never *from first to last* agreed to any increase of salt tax in the Presidency."

The last extract, from a private letter to Lord Northbrook, is dated March 3, 1874.

> "We must do as you wish about salt, but I confess I should have been glad if your measures, however important, could have been effected without

> increasing, even to this very partial extent, the cost of life to our poorer population. Your advisers must be able to judge much better than I can as to the financial exigencies of the case, otherwise I should have thought that in this, as in so many instances of the kind, the boldest and simplest measure was the best."

Thus ends the private correspondence on the salt tax. In the discussion of the Bill, which passed without opposition in Calcutta, the Madras Member of Council said, "That the Madras Government, having in view the advantages to be obtained by a much larger portion of the population of the whole Empire, had signified their approval of the measure;" and at the same time he expressed their "appreciation of the careful and favourable consideration which had been given to the Madras views on the question, and which had resulted in a considerable reduction of the increase originally proposed."

It will be seen that it was only after the most careful study of the question that Lord Hobart formed the opinion which led him to object to even the slight increase in the salt tax in Madras of 3 annas, or 4½*d.* upon every 82 lb. of salt. In the beginning of the present year the tax was increased by 11 annas, or 1*s.* 4½*d.* This would have been greatly regretted by Lord Hobart, and it is earnestly to be hoped that the measure may be only temporary.

It is perhaps difficult to realise the actual condition of the people for whose interests he so earnestly pleaded.

In the Report of the census for the Madras Presidency for the year 1871-72 it is distinctly stated that "The sales of salt, allowing for the consumption in other districts, are not so large as to warrant the assumption that every individual of the population gets the quantity of salt that is essential for the maintenance of vigorous health."

This statement is made by Dr. Cornish, who was the Sanitary Commissioner for Madras, and whose opinion carries also the weight belonging to the highest medical authority.

According to the figures given in the census report, the average amount paid by each individual in taxation in Madras, after making allowance for local inequalities, was Rupees 2-4-5, which is little more than 4*s.* 7*d.* per head; of this amount, after making allowance for the sale of Madras salt in Mysore, Hyderabad, and the Central Provinces, the salt tax fell with an incidence of probably not more than annas 5 per head, equal to about 7½*d.*

In Lord Hobart's first minute we see that the average income for a family of five persons was Rupees 120, or £12; thus the total taxation upon such an income amounted to Rupees 11-4-5, or as nearly as possible £1 2*s.* 7*d.* upon an income of £12.

It should be remembered that the expenses of such a family are entirely connected with food. There is not a penny to spare for illness, not a penny for education, among the poorest classes. Such a state of things must undermine the physical condition of the people, and it

must almost necessitate that very fatalism which saps their energy. Such poverty must also be a direct cause of the financial difficulty which is the only justification made for the increased taxation of the poorer natives. Necessities arise for sanitary measures, and also for some system of education. Government must undertake these expenses rather than allow the alternative of absolute ignorance, which in other words would throw upon it the responsibility of physical misery, as well as gross superstition and an incapability for morality among the masses to an extent, which would largely increase the proportion of the criminal classes and of the expenses necessary for the suppression of crime.

These considerations will justify the importance which Lord Hobart attributed to the question of raising a tax which would fall inevitably on the poorest classes in the Madras Presidency.

Increased taxation of the poorest natives seems to work in a very doubtful direction, and as if it would necessitate a further outlay in the future in the interests of an impoverished and discontented population. Any proposals for increased taxation in Madras must now fall upon a fever-stricken and famine-stricken country. It must be remembered that the direct cause of starvation during the recent famine was the high price of food. Food was to be had in nearly all the markets or bazaars, but at too high a price; so that in one sense it was literally a financial famine. Increased taxation of the poorest classes seems therefore a questionable weapon for averting the recurrence of famines in India.

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THE INDIAN FAMINE OF 1877.

BEING A STATEMENT OF THE MEASURES PROPOSED BY THE GOVERNMENT OF INDIA FOR THE PREVENTION AND RELIEF OF FAMINES IN THE FUTURE.

LONDON:
C. KEGAN PAUL AND CO.
1878.

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ADVERTISEMENT.

THE Publishers think that interest will be generally felt in the measures which the Government of India have proposed, in order to prevent, as far as practicable, the recurrence of famine in that country, and to provide for its relief. The statements made in the Legislative Council of the Governor-General at Calcutta, on the 27th December, 1877, by His Excellency Lord Lytton, the Viceroy, by Sir [illegible] the Financial Member of his Council, by the [illegible] Ashley Eden, the Lieutenant-Governor of Bengal have [illegible] been reprinted, and are now offered to the pub[illegible]

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Financi[redacted]r of the Council of the Governor-General.

I.

SPEECH BY

SIR JOHN STRACHEY,

Financial Member of the Council of the Governor-General.

MY LORD,—In the Financial Statement for 1877-78, which I had the honour to present to your Excellency and this Council on the 15th of March last, I dwelt at some length upon the necessity imposed upon the Government of India of bringing the Public Revenues and Expenditure into a condition of permanent equilibrium, and I indicated that it would be our duty, at some future time, to propose further measures for accomplishing this object. The events that have occurred since that time will have prepared every one for the conclusion that the urgency of the case has become greater with each succeeding month of the prolonged crisis through which the country has been passing. The Government fully recognizes the fact that the community at large is not less interested in the measures that it has been deemed expedient to adopt than are the Members of the Government, on whom devolves the responsibility for framing those measures, and your Excellency has, I may be allowed to say, wisely determined, therefore, to lose no time in introducing before the Council the Bills which are necessary for obtaining the requisite Legislative authority for carrying out its policy. This course will give ample time for that full consideration of our

measures, which it might have been difficult to secure if we had waited till a later part of the season.

I reminded the Council, at the time to which I have referred, that, after the Famine of 1874 in Northern Bengal, the Government of Lord Northbrook declared that such calamities could no longer be treated as abnormal or exceptional, and that sound financial principles required that the grave obligations entailed by Famine upon the Government should be explicitly recognised and provided for among the ordinary charges of the State. Within the previous ten years three serious famines had occurred. The drought of 1866 led to Famine in Behar and Orissa. The failure of the rainy season of 1868 and 1869 caused severe distress over a great tract of country in Northern India; and in 1874 came the Famine in Bengal. As it could not be doubted that India was liable to the periodical and not unfrequent occurrence of such calamities, Lord Northbr[illegible] most justly concluded that to attempt to meet them me[illegible] by borrowing without a simultaneous increase of inc[illegible] would be financially ruinous: it was out of the questi[illegible] to think of meeting with borrowed money the charges which we should have to incur in future on their account. Whatever means, he said, we may take to obviate or mitigate them, it must, under present circumstances, be looked upon as inevitable that Famines will from time to time occur.

He therefore determined that, to enable the State to meet the serious obligation of preventing and relieving Famine, it was necessary to secure, in prosperous times, a substantial surplus of Revenue over Expenditure in addition to that necessary margin which a prudent administration demands for the ordinary requirements of the State. Due provision would thus be made for meeting occasional expenditure upon Famine. He argued that, if this surplus were devoted to the reduction of debt or to preventing the increase of debt for the construction of reproductive public

works in years of ordinary prosperity, there would be no objection to the Public Expenditure exceeding the Public Revenue in occasional years of adversity, so that we might then without objection meet the charges on account of Famine from borrowed funds, to the full extent to which our surplus had permitted the discharge of debt or prevented its increase.

The Secretary of State agreed with Lord Northbrook's Government that the periodical occurrence of Famine ought to enter into the calculation of the Government of India when making provision for its ordinary wants from year to year, and that such a surplus should be provided in each year as would make a sensible impression on the debt incurred in times of Famine. Her Majesty's Government have recently re-affirmed this principle.

I was authorised in making my Financial Statement to declare the entire concurrence of your Excellency's Government in this policy, the wisdom of which had again been painfully enforced upon us by the Famine in Southern India, but which no sufficient steps had till then been taken to carry out. A careful examination of the accounts of the seven years ending on the 31st March, 1876, a period long enough to illustrate fairly the state of our Finances, made it plain not only that we had, when I spoke, made no proper provision for the cost of Famines, but that we possessed no true surplus of Revenue over Expenditure to cover the many contingencies to which a great country is exposed. As I then said, the financial administration of our predecessors had been most careful and economical. They acted in accordance with the facts which their experience appeared to supply, and with that reluctance to add to the public burdens which has always most properly characterized the action of the Indian Government. But our fuller information had made it manifest, beyond the possibility of dispute, that, whether by retrenchment of expenditure, or develop-

ment of the existing sources of revenue, or fresh taxation, or by a combination of these means, a substantial improvement of our financial position was indispensable; and we only postponed the adoption of vigorous measures to this end until returning prosperity should enable the country to undertake fresh burdens with less difficulty, and allow the Local Governments more leisure to afford us their counsel and co-operation. Subsequent events have only served to show more clearly the urgency of our need. The year 1877 has been a year of gloom and difficulty to multitudes of the people, and of deep anxiety to the Government. In consequence of the delay in the coming of the summer rains the distress in Southern India was prolonged much beyond the period which, it had been hoped, would terminate it. We had estimated the cost of the famine at five and a quarter millions, but this sum had subsequently to be raised to our present estimate of nine and a quarter millions. In addition to the scarcity in the south a fresh danger arose in the north, from the very insufficient rainfall in that quarter. The autumn crops over a great part of Upper India were almost wholly lost, no such complete failure having occurred, in the North-Western Provinces, since 1837-38. The drought extended into Rajputana and Central India; and there are few Provinces in India which did not suffer more or less loss. At one time there were imminent apprehensions that it would be impossible to sow the winter crops of Upper India, and that another famine of great severity was there impending. Happily, the rain in the beginning of October saved India from this peril; abundant falls have already almost obliterated famine in our Southern Provinces, and the timely rainfall of the present month of December has removed our remaining anxiety for Northern India. We may reasonably hope that our long-continued adversity will now be succeeded by a season of national prosperity.

I must not turn aside now to speak of the lessons for our

future guidance which, I trust, will be derived from the dearly-bought experience of the recent Famine. But I hope that, upon a retrospect of the famine campaign of 1876-77, it will be found that former experience was not thrown away; that there has been a better application of national resources; and that better fruits may be expected from the famine-expenditure than on former occasions. Doubtless, we are far from having completely learnt the most economical, or the most efficient, method of dealing with these calamities. However, it is not my present object to discuss these matters. What I have to do is, now that we are in a condition to face the question, to redeem the pledge I before gave, and to propose the measures which seem to the Government necessary in order to place the finances in a proper condition.

To enable the Council and the country fully to understand the true position of affairs, it is necessary for me to state, with such precision as is possible, the actual cost of recent Famines, in order that an estimate may be made of the amount of financial relief which must be obtained before the Treasury can permanently undertake this burden. The task is not so easy as might at first sight appear.

I am not able to compute with certainty the cost of the famine of 1866 in Orissa; but it has been estimated at £1,700,000. From various causes, however, the measures of relief then taken fell so far short of what would now be deemed necessary, that we could not base upon them any calculations for the future. Even as regards the Bengal famine of 1874, and the Famine in Southern India in 1876 and 1877, it will be obvious, on reflection, that it must be long before the accounts of the receipts and disbursements can be completed, and that, to the last, many of the component items must be estimates rather than facts. The main expenditure is, or ought to be, for the wages of labour upon public works: it must be always a matter of

estimate how much of this expenditure is infructuous and a dead-weight famine-charge, and how much may be fairly reproductive. The extra expenditure in consequence of the Famine upon the several services, Military and Civil, may be more precisely ascertained. On the other side, the Revenue lost under many Heads of Account, and the net Revenue gained upon the Railways, although real and important elements in the accounts of a Famine, can never be exactly known: the Railway gains operate more or less as a set-off against the charges, but all the amounts will to the last be open to much doubt. Then we have loans or advances made to other Governments, public bodies, or individuals, which may or may not be repaid; and such large items as the provision of additional rolling-stock for Railways and the like, which may long be a cause of additional charge.

Without troubling the Council with further details, I have said enough to show that the actual cost of a Famine must, to the end, be the subject of estimate rather than account.

The Bengal Famine of 1874 is, in this way, estimated to have cost £6,750,000, and the Famine in Southern India, which in March last was expected to cost £5,250,000 is now estimated to cost £9,250,000, making a charge of £16,000,000 for Famine relief in the five years from 1873 to 1878.

The serious character of such a fact can hardly be exaggerated; its gravity becomes more apparent when it is understood that, by the end of the current year, the public debt of India will be larger by at least £16,000,000 and the annual charge for interest by £640,000, than they would have been if there had been no Famine in these five years. I make no attempt to estimate the vast waste of private capital due to the same causes.

Happily, there are grounds for believing that this has

been a period of exceptional disaster. Famines are, indeed, so far from being uncommon occurrences in India, that scarcely a year passes without distress in some part of the country; but their frequency, severity, and extent during the last few years have exceeded what past experience would lead us to expect hereafter. Moreover, we trust that we are constantly learning more of the best and most economical way of dealing with these calamities; that every famine wisely administered will leave behind it works which will tend to make similar future difficulties less serious and less costly; that the material improvements we otherwise continue to make will enable the country to bear the effects of drought more and more easily; and we may hope that the cost of Famine relief will hence be less in the future than it has been in the past.

Making all allowances for these considerations, I cannot now venture to estimate the yearly average cost of Famines in loss of Revenue and actual expenditure at less than £1,500,000. This amount has necessarily been arrived at in a somewhat arbitrary manner, and it will be seen to correspond approximately with the sum that would be requisite to distribute the charges of the last five years over a period of ten years. It will remain for the Government in the future to reconsider, from time to time, the practical result of the assumption which we are now constrained to make on what are necessarily imperfect grounds, and to take all requisite steps in the way of correcting any error into which further experience may indicate that we have fallen, either in the one direction or the other.

What, then, we have now to do is to improve our financial condition as it was at the beginning of the present year, by £1,500,000 a year on account of Famine alone. This, however, is not all.

Successive Secretaries of State have urged the Government of India to provide a margin on our annual estimates

of from half a million to a million sterling, some such moderate surplus on the ordinary account being obviously necessary to enable us to meet those contingencies to which every great Government is always liable, and which cannot be foreseen, and to provide the means of carrying out administrative and other improvements. The latest injunction upon this subject was given in a Despatch of October 1877, reviewing the financial arrangements of the present year, which contained also the renewed recognition by Her Majesty's Government of the duty of making definite provision for the cost of Famine. Inasmuch, therefore, as at the time when the present Famine began, our income did little more than suffice to meet the charges, even if that was secured, I consider that our Revenues were on the whole about £2,000,000 a year short of what was necessary. We required £1,500,000 for Famine, and, at the very least, £500,000 of ordinary surplus.

In considering how to discharge its weighty responsibility for securing financial equilibrium in such circumstances, th Government of India first turned its attention to the poss bility of effecting reductions in the Public Expenditure.

Excluding Famine relief and Public Works treated Extraordinary, the yearly gross cost of the administration British India is now between £48,000,000 and £49,000,0 and the net cost, after subtracting from those sums th amounts that may be more properly treated as deduction from charge than receipts of income, is between £37,000,0 and £38,000,000. These are large sums in themselves but if we consider the vastness of the Empire, which i cludes a territory little less than the whole of Euro excluding Russia, the costliness of a foreign administrati especially of a foreign military equipment, in an unc genial climate, and, what is more pleasant to conte plate, the growing intelligence, the growing civilisati and therefore the growing wants of the people, I do n

that the cost of the administration can be deemed extravagant.

In the Minute attached to my Financial Statement, I calculated the true net expenditure upon the Army in each of the years 1876-77 and 1877-78 to be upwards of £17,000,000, or nearly 45 per cent. of the whole net expenditure of the Empire, excluding Famine and Reproductive Works. Of the remaining £21,000,000, about £6,750,000 is for net interest on the public debt and on the capital of the Guaranteed Railways after setting off their net traffic earnings; and £3,750,000 is the net grant for ordinary Public Works. There remains net £10,500,000 for the general civil administration and government of our vast population, which amounts to 185 millions, excluding the people of our feudatory States. No great saving can be expected in this part of the Public Expenditure.

Nevertheless, as is well known to the Council, efforts to reduce the Civil charges have never been wanting. On the contrary, they have been made persistently again and again, and must not now be abandoned. I had the satisfaction of showing, in March last, that excluding Famine and Loss by Exchange—an element practically beyond our control—a reduction of the net Civil Expenditure had been effected in the seven years from 1869 to 1876 amounting to no less than £1,500,000 a year. This fact justifies me in asking the Council and the public to trust in the determination of the Government of India to spare no pains to keep down the demands upon the Public Treasury for the Civil Services.

In giving effect to this policy in the past, the Government of India has found a powerful instrument in the system of Provincial Finance introduced by the Earl of Mayo in 1870, under which the Government of India announced interference in the detailed administration of Civil services, granting the Local Governments a permanent

but fixed income to cover their cost. The saving to the Imperial Treasury effected upon the first introduction of this scheme was £330,000 a year. Its further development this year has already produced an additional saving of £169,000. Thus, a positive saving to the taxpayer of nearly £500,000 has already resulted from this policy, and this will certainly be increased hereafter. Moreover, the demands from the Local Governments on account of these services, as I showed in March, had, till the change of system was adopted, been constantly growing; the cost of the services transferred in 1870 had risen from £5,100,000 in 1863-64 to upwards of £6,000,000 in 1869-70. All further increase of such demands has been stopped, if not for ever, at least to a great extent and for a long time to come.

The public may very well be financially content with the arrangements thus made. Under them the greater part of the Civil Services proper, costing [illegible] estimated, with ordinary Public Works, £1[illegible] either have already been, or will shortly be, ent[illegible] grants, to the Provincial Governments. In this [illegible] the public outlay, it is, I am satisfied, visionary t[illegible] of obtaining any important reduction. It is tru[illegible] irresponsible persons find it easy to declaim as t[illegible] possibility of enforcing large economies. But I fea[illegible] challenge any one having a sufficient knowledge of the [illegible] requirements of the administration to indicate any branc[illegible] of the Civil Services of which it would not be far easier [illegible] give substantial proofs that more money is required for [illegible] than the converse. No one, I think, can doubt that I pe[illegible] sonally should feel my task rendered infinitely lighter a[illegible] more agreeable if I could see relief in this direction, or th[illegible] I should have hesitated to seek it there, if it had been rea[illegible] practicable.

As to that part of the Expenditure which arises from

payment of interest on ordinary debt, and on capital laid out on productive Public Works, as well as that which is required for the current demands for Public Works, a little consideration will show that, at all events, no reduction of charges can be looked for. The heavy burden of the recent Famine has added not far from £400,000 to the charges on account of our ordinary debt. Further, so long as a policy prevails which requires of us the prosecution of works of internal improvement on a scale commensurate with the growing wants of the agriculture and commerce of the country,—a policy which we strongly hold,—we cannot, for the present at least, safely look for any diminution of charge for interest on this account. The charge for the Guaranteed Railways, at one time so onerous, has, of late years, it is true, diminished rapidly, so that we have a good hope that in the current year it may disappear altogether. This last result, if it occurs, will no doubt be to some extent rather apparent than real, being attributable largely to the Famine traffic, which is calculated to have added altogether about £600,000 to the Government share of the Net Traffic Earnings of the Railways, £300,000 of which falls into the current year. It would be too much, however, to expect that we shall be, as a fact, finally emancipated from all burdens on account of these great undertakings; but we may confidently hope that the charges will eventually discontinue to diminish, and [illegible] for India. At present, however: the fact is full of hope [illegible] constantly increasing, it must be remembered that we are [illegible] fresh and heavy burdens of this character, so that it is prudent to reserve any margin which we may obtain from some of our existing Public Works as security for the cost of future works, which, however carefully devised, sometimes disappoint expectations. Neither can any surplus be hoped for in the Ordinary Public Works Accounts which include the necessarily increasing burdens for meeting the constantly increasing wants of our

administration and demands for works of internal communication and irrigation, any falling off in the efficacy of which would instantly re-act on the public security and prosperity. The transfer of the bulk of this class of objects to provincial management provides the best, indeed the only possible, safeguard, against the undue increase of charge on their account, while it gives due protection to the interests they are designed to subserve.

Turning to the military expenditure, I examined in some detail in my Minute laid before the Council on the 15th March, the accounts of the Army. I showed that it now costs upwards of £17,000,000 a year; that its cost has increased by upwards of £1,000,000 since 1875-76; and that a large share of this increase is in the expenditure recorded in the Home Accounts.

I need not recapitulate the details thus reviewed, but I will repeat the conclusion which I then stated as follows:—

> The Government of India must certainly endeavour to find the mean of meeting the increased Military charges, some of which are apparent inevitable, by economies in other departments of the Military Servic this endeavour must be largely dependent for success upon the support Her Majesty's Government. I do not assert that the whole of the add tional expenditure on the Army has not been incurred for excellent object or that it could have been avoided; but that the India Revenues a liable to have great charges thrown upon them without the India being consulted, and almost without any power of r a fact the gravity of which can hardly be exaggerated.

We have not neglected this matter during the been the subject of elaborate enquiry, the resu have still to be considered. Whether we shall be out reductions which some high authorities hav depends upon considerations, the effect of which mate conclusions of the Government I cannot Judging from the past, we may esteem oursel if further additions to the Home Military

not thrown upon us; but what is possible on our part to prevent such a result shall certainly be done. We know that we may rely upon the support of the Secretary of State in securing this object, and we may hope that some reconsideration of the burden thrown upon us on account of this branch of charge may be found possible, which shall lead to an arrangement more consistent with our own views of what is equitable to India. Meanwhile, for its immediate need, the Government of India can plainly not count upon any material saving in our military charges.

Present reduction of expenditure thus appearing impracticable, we next examined carefully the prospects of our present sources of Revenue, but found no grounds for reckoning upon any certain material increase in their yield. The Revenue from Customs Duties, both on inland and sea-borne trade, so far from increasing, must rather be expected to diminish. How soon, and to what extent, we shall be able to carry out the important, and in my own opinion most necessary, reform in regard to the Cotton Duties which has now been enjoined upon us by Her Majesty's Government, supported by a unanimous vote of the House of Commons, and other reforms less disputed and not less urgent, I am now unable to foresee; but at least it is unlikely that the Government of India will be able to increase its Customs revenues. The imposition of an Excise Duty on Indian cotton manufactures, has not appeared to us to call for serious attention. For though I might recognize the force of arguments in favour of such taxation, if the Import duties on foreign cotton goods were to be maintained as a permanent part of our fiscal system, yet in the face of the repeated and plainly expressed views of Her Majesty's Government and Parliament, the matter presents itself in a totally different aspect.

The measures which I shall presently propose for the nationalisation and better collection of the Salt Tax will, if

sanctioned by the Council, doubtless yield us, for the time, an increase of Revenue; but, as I shall explain further on, this increase cannot be looked on as permanent, and I must decline to reckon it among the permanent assets to be set against the liabilities for which we have now to provide. The eventual object of our policy as regards Salt is rather the reduction, than the enhancement, of the duty, and to enable the people to procure a full supply of salt at the cheapest rate consistent with our financial necessities.

The greater part of the increase which is to be anticipated during the next few years from the normal growth of the Revenues under the Heads of Excise and Stamps, we have discounted in the arrangements for the administration by the Provincial Governments of these branches of the Revenue; and, though some further improvement in the Revenue from Stamps is expected to follow upon the consolidation and revision of the Law now under the consideration of this Council, the amount is uncertain, and not likely to be important.

The increased Revenues which the Local Governments have undertaken to provide with effect from the beginning of this year amount already to £78,000 a year.

The recent measures for extending the interests and responsibilities of the Provincial Governments in respect to the financial administration, will doubtless give considerable relief to the Imperial Exchequer. This great reform is not yet complete, and its precise results cannot yet be stated but it may be expected in all to improve the balance sheet by a sum not far from £400,000, and no portion of this sum is derived from fresh taxation. This is irrespective of the £330,000 which was the first-fruit of Lord Mayo's original measure; and thus we shall have gained, without imposing any fresh burdens on the country, a virtual addition of about three quarters of a million to our annual resources. Your Lordship and the Council will agree with me

ing it highly satisfactory that such important financial advantages should have been produced by a policy from which we anticipate a great increase of administrative efficiency.

Before proceeding further, I wish to refer to suggestions which have been made in England, that, upon occasions of urgent need, assistance should be given to British India from the public resources of the United Kingdom.

When the humanity of our countrymen at home prompts them to offer charitable assistance to their suffering fellow-subjects here in the time of their distress, we welcome the generous impulse, because such liberality must tend to unite the people of India to those of Great Britain by the bonds of gratitude. It will be interesting to the Council to know that, beside large charities distributed through private channels, the Madras Famine Committee has already received, in this way, no less a sum than £700,000, which is expected ultimately to be increased to nearly £750,000. Of the sum already received, £600,000 came from the United Kingdom, and £80,000 from British Colonies. The Indian subscriptions have amounted to £23,000. As Englishmen, we are proud of such splendid national generosity.

But for my own part, I am not prepared to say that I should welcome as enthusiastically a grant from the British Exchequer in support of our burdened Revenues. I appreciate the kindly spirit which prompted the thought, but shall be sorry if Her Majesty's Government do not see their way to propose any such assignment.

I believe that India is well able to bear her own burdens, and we should not be wise so far to sacrifice her financial independence as to accept assistance even from England. National self-reliance is essential for national self-respect, and whatever differences of opinion there may be as to the best way of meeting our difficulties, there will, I am con-

fident, be perfect unanimity that they must be borne by ourselves, and not by our neighbours. I concur, then, with those friends of India who, at home, have deprecated the grant of such assistance; and would rather urge that, in dealing with questions which arise when the separate pecuniary interests of the two countries come into apparent conflict, as, for instance, in apportioning the cost of the British Army between England and India,—England should be strictly just, may I not even say that she should be generous, to this comparatively poor country. India may claim such generous justice without sacrificing her national self-respect; and I venture to believe that she will not claim it in vain.

I will not detain the Council by detailing the several methods of taxation which we have considered in our present need, only to reject them. We have thought of taxes on tobacco, of succession duties, of taxes on marriage expenses, and of other taxes which I will not now enumerate. Some of these appear to me to be in themselves open to little objection, but none of them would give us the increased Revenue which we require, and the Government has felt that a time when we are proposing to place fresh burdens on the people is not opportune for trying new experiments in taxation.

One Tax remains of which I must necessarily speak. I refer to the Income Tax.

I said last March that when the Income Tax disappeared I regretted its loss, but that the Government of India had entertained no thought of restoring it. In spite of all rumours that we have heard, this is still true. I anticipate no great dissatisfaction at the announcement I now make of the decision of the Government, that the re-imposition of the Income Tax shall not now be proposed. It will not be necessary, I think, for me to enter at any length on the grounds for this decision. Although an Income Tax

be re-advocated in many quarters, the Government has not had any idea of adopting such advice. And for myself I will add, that though I was a supporter of that Tax while it remained in force, and though I am far from saying that circumstances may not hereafter arise which will justify or compel its restoration, yet I have not failed to recognize the fact that at the present time such a course would neither be politic nor just. I think, however, that it should be remembered, that if the measures which I am about to propose to the Council be not approved, an Income Tax is the sole alternative that remains. I at least can see no other. Much more than the sum which we now require has been raised before by an Income Tax, and there can be no question that this could be done again.

I have already briefly stated to the Council the reasons which have led the Government to the opinion that at the beginning of the present Famine we required an improvement of about £2,000,000 a year in our financial position —£1,500,000 on account of Famine, and £500,000 as a margin to meet ordinary contingencies. A few more words of explanation may, perhaps, usefully be added.

The accounts of the actual Revenue and Expenditure of the Empire during the seven years ending with 1875-76 show that, excluding the cost of Famine Relief, we had just managed to pay our way. These results having been based on the actual accounts of seven years, are far more valuable than any which we could draw from an examination of the figures for any particular year; but the estimates for the current year, which I laid before the Council last March, illustrate the same fact, that before the commencement of the present Famine, our finances might be considered to be nearly in a condition of equilibrium. The estimates showed that, putting aside expenditure on Famine, we expected to close the year with a surplus of about £900,000. But of this sum, £520,000 was provided by the measures taken at

the beginning of the year for increasing our income, so that if there had been no such measures, there would have been an apparent surplus of only about £400,000. The Famine, however, will probably lead to a permanent addition of nearly £400,000 a year to our annual charges on account of interest on debt, so that the apparent surplus of £400,000 vanishes. This result, however, has still to be further modified if we seek to arrive at the balance between the present normal or average annual income and charge, from the estimates of this single year. Correcting the figures by making allowances for receipts which do not constitute such normal income, and payments not having a character of normal charge, we should arrive at a deficit of about a quarter of a million for the current year, instead of any surplus. These figures, based on the estimates of a single year, are not worth very much; but I think they serve usefully to illustrate the fact which I desire to make plain to the Council, that, apart from the measures taken in March last, our annual receipts were hardly sufficient to cover our expenditure.

I will now explain what we have done already towards providing the £1,500,000 for Famine, and what we propose to do hereafter.

The measures of financial decentralisation taken during the present year will, as I have stated to the Council, give when they are complete, a relief of some £400,000 a ye without any addition to the burdens of the people. Th out of the £1,500,000, we have already provided £400,0 in the most satisfactory way possible, and we have only provide the remaining sum of £1,100,000. It being, in judgment, impossible to obtain any substantial portio this amount by other means, it had to be raised by fr taxation. There has, however, already been imposed in current year, by the measures taken last March, additio taxation to the extent of £300,000 in the Bengal Pr

lency. This was the only part of India with which we hen could deal, because Famine was raging in Madras and Bombay. Thus, there now only remains for us to provide on account of Famine about £800,000 by new taxation. I will now tell the Council how it is proposed to obtain this money, first speaking of the measures contemplated for the Bengal Presidency.

When I endeavoured to explain to the Council nine months ago the measures taken by the Government at the beginning of the present financial year, I pointed out that the essential principles underlying the whole of the changes of system then made were these: we asserted the necessity of enforcing, so far as this was practicable, the responsibility of every great Province of the Empire for meeting its own local wants; we gave to the Local Governments largely increased powers; we gave them, for the first time, a direct interest in the development of the Revenues, and we gave them, at the same time, strong incentives to economy. And among the responsibilities thus transferred to the Local Governments, we included one, perhaps, the greatest and the most important of all, that of providing the means of protecting the people of their own Provinces against Famine, and of meeting, to the full extent of what was possible, the cost of relief when Famine actually occurred. To this policy we firmly adhere. It has received the cordial approval f Her Majesty's Government in its main outlines, and rough its extension and development it is that we propose apply the measures we now contemplate.

The measures and the changes of system which the adop- of such a policy involved, were too large and too nerous to be carried out all at once, and with famine over reat portion of Southern and Western India, very much l to be left undone which might otherwise have been lertaken. A great step, however, was made. Irrigation rks and railways are the principle material means by which

Famine can be prevented and relieved. The Government of India declared that each Province must, to the utmost of its power, pay for works of this kind, undertaken for its own protection, and we have made fair progress in the actual enforcement of this rule.

In Bengal and in the North-Western Provinces, the whole responsibility for the cost incurred in the past and to be incurred in the future, on the construction of canals and railways of provincial utility, was imposed on the Local Governments and accepted by them with thorough and loyal approval. In those Provinces, our measures, so far as they relate to the provision of means for meeting the cost of public works, have been already carried out, and the time is not distant when they will be everywhere in operation.

To prevent or to mitigate the worst effects of drought, and so to remove, within certain limits, the risk of Famine, by the construction of canals and railways, is a comparatively easy task. It is mainly a question of money. To relieve Famines when they have actually come upon us (and in the present condition of India their occurrence from time to time is inevitable) is far more difficult and far more costly. How difficult and costly it is, we have unfortunately had of late years ample experience.

The necessity of localising, so far as may be practicable, the responsibility of the people in every part of India for providing the means of their own support in time of scarcity has, as the Council is aware, been repeatedly urged by the Secretary of State, and acknowledged by the Government of India. To use the words of a despatch from Lord Salisbury relating to the Bengal Famine,—"While we fully admit the obligation which rests upon the State of preserving the lives of the people, it cannot be doubted that the primary responsibility for providing for their own support ought to rest upon the people themselves. The duty of the State does not extend further than to see that the needful means

supplied for giving effect to this principle, and for distributing the local burdens arising from its practical application in the manner which shall be most equitable, and least onerous to those who have to bear them."

This question of how local resources can best be made to meet local wants in time of Famine is obviously one of extreme difficulty. When I made my last Financial Statement, I said that the Government did not pretend to have solved it, and that we had, at best, only taken a step in the right direction, by throwing upon each Province the responsibility for meeting the charges necessary for providing the public works required for the protection against famine of its own people. I said that we had thus given practical recognition to the principle on which the Secretary of State had insisted, and had obtained, to a certain extent, though far from completely, that safeguard for the Imperial Revenues which is so necessary. The Government has continued to give to this subject its anxious attention. The problem is still far from being fully solved, but I will now explain to the Council the further measures which we propose to take, by which, while reaffirming the principle of local responsibility, we hope, by degrees, to place the country in the best possible position to avert the extreme consequences of aggravated seasons of drought, while we obtain that safeguard for the Imperial Revenues of which I have just been speaking.

If we were simply to lay down a rule that every Province shall meet, hereafter, from its own separate resources the cost of each particular Famine by which it has been attacked, the rule would be one which it would be often impossible to enforce. What is necessary, therefore, is to establish some system of mutual assurance, as I may term it, under which all parts of the country, while primarily responsible for supplying the wants which arise within their own area, shall contribute towards the relief of other parts on which

Famine may actually fall. In this spirit our present pro-
posals are framed. Resources will be created from whicl
the central authority will draw whatever sum is found t
be requisite to discharge the obligations arising from what
I may term the dead weight of famine expenditure. We
can hardly now anticipate that when this has been don
our exigencies will be found to have left much margin
yet, so far as it may be obtained, the Provincial Govern-
ments will derive from it increased means for carrying out
the new duties thrown upon them, of making financial pro-
vision for the works of improvement best suited to ward off
the direct effects of scarcity, and dangers of ensuing
famine.

There is certainly no class in the whole community
which might not equitably be made to contribute for
such a purpose as this, and, if I were now advocat-
ing the imposition of a wide-spread Income Tax, from
which no sort of property or income should escape, it
would not be difficult to find excellent reasons for
the proposal. The expediency or inexpediency of an
Income Tax is, however, a question which as I have
already said, I do not now think it necessary to discuss.
It cannot, I think, be denied, even by the warmest sup-
porters of such a tax, that there are, at the present time,
special causes which would render its imposition undesir-
able, and the Government believes that the money whicl
we want may be obtained with less objection in anoth
way.

When, in March last, the Government proposed to impro
our financial position, it showed, by the measures which
introduced, and which have since become law, that th
were, in its opinion, two great classes of the community
which the duty of contributing for the prevention of Fam
more especially fell. The mere fact that the agricultu
classes constitute by far the greater portion of the po

on, and, when Famine occurs, form the great majority of hose who require relief, is alone sufficient to show that these asses ought to pay their quota of the sum required for ir own protection. To say that the people (to quote gain the words of the Secretary of State) ought "themlves to provide for their own support and well being," and en to say that the agricultural classes shall be exempted om payment, would be equivalent to saying that the prinple laid down was to remain a dead letter. It would have eally no meaning at all.

The next very numerous class, although of course a small lass compared to that of the agriculturists, is the class of raders and artisans. Although prosperous in ordinary mes, this is a class on which, when famine occurs, pressure the first to fall, and it ought to contribute for its own otection. Not only does it now contribute nothing for this purpose, but it is notorious that, throughout nearly the whole of India, although there is no class which benefits so greatly from our rule, there is none which bears so insignificant a hare of the expenses of the State. Nor, I think, can we void the conclusion that there is hardly any part of India which does not in one shape or other, or at some time, ither feel directly the pressure of the severe droughts to which the country as a whole is liable, or, by indirectly lerriving benefits from the rise of prices consequent on local arcity, does not render itself justly subject to contributing vards the common insurance fund.

The justice of imposing new burdens on the agricultural sses will possibly be more questioned than that of imng them on the traders. I do not deny that there may ome parts of India where the land revenue is so high it would be unwise to make fresh demands upon the id; but I confidently assert that this is not the case in those Provinces with which we are now proposing to deal. There is no greater, though no commoner, mistake than to

suppose that, because the land in India yields two-fifths o the entire Revenues of the State, the part of the communit that derives its support from agriculture contributes unfairly large proportion of the public burdens. T ordinary misconceptions on this point arise from forge fulness of the fact that the greater part of our land reven is not taxation, but rent paid to the State as propriet of the land, rent which, in European countries, would b absorbed by landlords with exclusive private rights property, but which, in India, by immemorial custom, is en joyed by the State as the sole proprietor, or as a joint proprietor with others. There are great differences o opinion among high economic authorities as to whetho this state of things is good or bad; but such differenc rather refer to its secondary results than to any quest of the ultimate rights of property involved, which, like other such rights, are essentially based on established custom In my own belief, however, India is fortunate in deriving so large a portion of her Public Revenues from such source. It spares her the necessity of heavy taxation, and provided of course that we do not rack-rent the land, an provided that we give to private proprietors and tenant security of tenure and an ample and assured margin o profit, India will, I think, never regret the conditions undo which her landed property is held.

I am sure that there is no one in this Council w doubts the great and increasing prosperity of the agricult classes in nearly all parts of Northern India, which I n speak of as the Bengal Presidency. I need not speak the permanently-settled districts of Bengal proper, w the land revenue is so small that it has often becon may say, without exaggeration, a hardly apprec burden. In the temporarily settled Provinces of Up India, the revenue assessments were, even when they were originally made, almost everywhere moderate; and

[illegible]ncy have been made with an earnest and scrupulous [illegible]esire to strengthen and preserve the rights of private pro[illegible]erty, to create a valuable property in the soil where none [illegible]efore existed, and to give to the agricultural classes [illegible]enerally, security in their tenures and moderation in their [illegible]ents.

The demand of the State, which was originally light, [illegible]as become far lighter since the settlements were made; [illegible]ressure goes on diminishing as the country increases in [illegible]rosperity. No class has benefited so immensely as the [illegible]gricultural class from the great expenditure on the roads, [illegible]ailways, and canals, which have brought about a complete [illegible]evolution in the condition of the country. As the Govern[illegible]ment of India wrote not long ago, communications of all kinds have been multiplied; markets have been created, [illegible]enlarged, and rendered permanent; irrigation has ensured the produce and well-being of the people of wide tracts which in old times were periodically desolated by drought; [illegible]rices at the same time have been continually rising, and, [illegible]nder our permanent or long settlements, the greater portion [illegible]f the enhanced value of agricultural produce accrues to [illegible]hose who have an interest in the soil. There is certainly [illegible]o reason, in the condition of the agricultural classes, why [illegible]hey should not bear their share of any necessary fresh [illegible]axation for the purpose of protecting themselves and the [illegible]untry against famine.

It is quite certain, I may add—and this is practically [illegible]e of the most important facts of all—that we could not [illegible]e the sum of money required unless we make the agri[illegible]ural classes contribute. We might of course levy our [illegible]ation upon them in a different form. We might, for [illegible]ance, make a general increase to the Salt Tax. But [illegible]his is a measure which I do not propose to discuss, and the Government considers it altogether out of the question. Or we might, as I before said, impose an Income Tax to

which agricultural, like all other incomes, would be liabl
Anyhow, there can, in my opinion, be no doubt that, i
some shape or other, the land ought to pay a portion
the new burden.

I am quite aware of the objections which have been
and will no doubt continue to be, urged against th
imposition of fresh taxation on the class interested in th
land. In respect to the permanently-settled districts o
Bengal, as well as to the temporarily-settled districts o
Northern India, we have, for many years past, been familia
with the claims which have been made to the effect tha
the settlement of the land revenue has debarred the Stat
from imposing any additional burdens on the land. It wa
on this ground that the zemindars of Bengal objected to th
application of the Income Tax to their profits; it was on
similar grounds that they objected to the local road cess
which was imposed a few years ago, and to the new cess
which has lately been introduced in furtherance of the policy
of localising the responsibility for meeting the cost of work
required for the protection of the country against Famine.

There is certainly no question which has been mo
completely argued out than this, and I am sure that th
Council will not wish me to enter again into any lon
discussion regarding it. These questions have not onl
been completely and repeatedly settled by the Governme
of India, but they have been finally closed by the distin
and positive decision of Her Majesty's Government. Th
decision has been declared to the effect that the State
an undoubted right to impose on persons in possessio
incomes derived from land, taxation separate and dis
from the ordinary land revenue, in order to meet the na
growth of the public requirements, local or otherwise. "
levying of such rates," the Secretary of State wrote, "up
the holders of land irrespective of the amount of their land
assessment, involves no breach of faith upon the part of

e Government, whether as regards holders of permanent temporary tenures." I may add that, in the present se, the essential conditions which were laid down by Her ajesty's Government when the Duke of Argyll was Secre- ary of State, regarding the circumstances in which such ates as these may properly be levied, are completely ful- illed, and it would be difficult to suggest any purpose for which they could be more equitably imposed.

One of the main conditions laid down by Her Majesty's Government was this, that when rates of this kind are levied t all, they ought, as far as possible, to be levied not only n the agricultural, but on other classes also.

If time allowed I should like to read to the Council some remarks on this subject which were made by my distinguished predecessor, Sir William Muir, when he was Lieutenant-Governor of the North-Western Provinces, in the debate in 1871, when the existing Local Rates Act became law. He was then justifying the imposition of local rates on the proprietors of land in the Benares districts, which are per- anently settled, and he showed that this course was just, hether the revenue settlement was permanent or for a term f years, because other property than land was already axed for similar purposes. He said that there were in he North-Western Provinces municipalities in all the large wns, and that they raised between them an income of me 17 lakhs of rupees a year. These municipalities ay the cost of their police, their roads, their drainage, their sanitation, and they contribute for education, dis- saries, vaccination, poor-houses, etc. These obligations precisely similar to those for which, under the existing rates are levied on the land, and Sir William Muir maintained that the condition laid down by the tary of State was thus substantially fulfilled, that such taxation as this, when levied at all, should be imposed "upon all holders of property equally, without distinction

and without exemption;" and "for the future," Sir William Muir said, "no further taxation on the land would be justifiable unless some corresponding additional burden were placed on other property likewise."

While Sir William Muir urged very strongly and wisely the necessity of maintaining the inviolability of our Revenue settlements, and declared that it would be a breach of the engagements of the State to step in and say to the land-holders, "Because," to use his words, "your profits are greater than they need be, you shall pay an extra cess," he no less distinctly affirmed the liability of the land to future additional taxation, provided that such taxation were imposed in just proportion to additional burdens upon other property.

This is the principle we are now affirming by the Bills which I shall lay before the Council. We hold with Sir William Muir (and exactly the same may be said in regard to the other provinces of Northern India) that the previously existing rates on the land in the North-Western Provinces are compensated and made equitable by a corresponding rate levied upon other classes of property. And when, therefore, we now impose additional taxation upon the country, acting on this just principle, we propose to place upon the land an obligation equivalent, so far as may be, to that which other kinds of property will have to bear. The same rule will be applied to Bengal by the measure which my honourable friend the Lieutenant-Governor proposes to take. They will impose upon the non-agricultural classes, so far as this is practicable, rates which will correspond with the rates already levied from the land.

The form of our proposed new taxation on the land in Northern India will be similar in principle to that [illegible] adopted in Bengal. We shall simply make an additi[illegible] the local rates already levied.

In the case of the taxation which we propose to levy on

e commercial and industrial classes, the assumption, as I all presently explain, is that, under no circumstances, can e burden imposed fall at a heavier rate than two per cent. a man's profits. In the Bills which I am about to lay fore the Council, we apply a corresponding rate to the gricultural classes; but, following the precedent of the ld Income Tax, we do this in a manner which will really e, as a general rule, favourable to them. The settlements f the land revenue throughout Northern India are based n the assumption that the State is entitled to one-half of he rental of the land; but the proportion which the Governnent actually takes has notoriously, in the majority of cases, ecome smaller than this. The existing local rates in Northern India do not vary very greatly in the different Provinces. In the North-Western Provinces, which may be taken as representing the general case, the total amount of the rates levied for local purposes was five per cent. on the gross annual rental of the land, and to this amount we now propose to make an addition of one per cent. Thus, under ne assumption which I have just stated, that one-half of the ntal goes to the State, the maximum rate at which the ew tax will fall upon net annual profits will be two per cent. The burden on the two great sections of the community will nen be approximately equalized, and we shall maintain the inciple on which so much stress has justly been laid by e Secretary of State.

In considering the equity of levying fresh taxation from ne agricultural and commercial classes for the special pose of meeting expenditure on account of famine, e are other points which ought not to be left out of ght. The late Famine in Madras and Bombay has given us an admirable illustration of the fact that, with our present excellent system of communications, which goes on improving almost from day to day, serious and wide-spread famine in one portion of the Empire brings wealth and

prosperity to a very large section of the agricultural an commercial communities in other provinces.

India is so vast, and the physical characteristics of i Provinces are so diverse, that famine has never visited, an we may reasonably hope, never will visit, the whole count at once. If famine prevails in Bengal and Behar, there ar bountiful harvests in Burma, Madras, and the Punjab. I crops fail in Madras and the Deccan, the surplus food o Bengal and Central India, and the North-West is at onc poured into the afflicted country. Even in a famine-stricke Province the irrigated lands furnish surplus food which th owners sell at a great profit.

It has, I trust, now been accepted as one of the mos certain and fundamental maxims of our policy in dealing with famine, that, except under circumstances the occurrenc of which on a large scale is to the last degree improbable, the Government must abstain absolutely from all interference with trade, and that this is the only way in which we can feel confident that everything which it is possible t do to bring food to the starving population will be don The Government of India has acted consistently upon th principle throughout the late Famine. The result has bec that, as the demand arose for an additional supply of foo from without, the agriculturists and the traders of the mo distant parts of the Empire, prompted by the hope of ga hastened to pour their surplus stocks into the distress Provinces of the south. Never in the history of India h such a spectacle been presented as that which we have se during the last few months; railway stations in dist 2,000 miles away, encumbered with grain awaiting means of transport, and our ports filled with ships destin to bear to the starving millions the plenty of happier regions. My friend the Lieutenant-Governor will, I think, bear me out when I say that never has the Ganges or the port of Calcutta been the scene of such an active trade as it

[redacted]s during August and September last, when the grain [redacted]ffic to Madras was at its height.

There could hardly be a better illustration of the immense [redacted]tivity in the trade in grain during the late Famine than [redacted]t which is afforded by a comparison of the receipts on our [redacted]dian Railways during what I may call the Famine year and [redacted]e year which preceded it.

The receipts on the whole of our Guaranteed and State [redacted]ailways, from 1st October, 1875, to 30th September, 1876, [redacted]mounted to £8,700,000. In the corresponding period for [redacted]876-77, they amounted to £12,000,000, and the increase [redacted]as been spread over every one of the Lines without excep-[redacted]ion. I do not propose to dilate on the immense advantages [redacted]hich these Railways have conferred upon India during the [redacted]e great calamity. This would be foreign to my present [redacted]rpose. But having mentioned these Railways, I will ask [redacted]ou not to forget that at least four-fifths of the food imported [redacted]to the Famine country travelled over them, and I believe [redacted]at the average journey made by each bag of grain was [redacted]rdly less than 500 miles. When it is remembered that [redacted]rely one quarter of this food could have reached the [redacted]mine Districts at all without the Railways, some idea may [redacted] formed of the millions of lives they have saved, and of [redacted] priceless boon they have conferred upon the country. A [redacted]at engineer, for whose services to India no one can have [redacted]gher esteem than I have, asserted, a short time ago, that [redacted]Railways were causing to India a loss of three millions a [redacted] The facts that I have just given are a sufficient com-[redacted]t on such a statement; but it leads me to repeat, what I [redacted]re mentioned, that we now have good grounds for hoping [redacted]hat the net earnings of our Railways during the year 1877 including the receipts from the Famine traffic), will suffice to [redacted]ay the whole of the interest on the capital which has been [redacted]xpended on all the Guaranteed Railways, and that no [redacted]urden on their account will be imposed on our Treasury.

During the past year, more than a million-and-a-half to of food have been carried into the Famine districts fr other parts of India. The profits on this great trade, af paying all expenses of carriage, have been estimated, on wl appear to be fair grounds, at not less than 40 rupees a to and I believe that I am understating the fact if I estima that the producing and trading classes have made a cl profit of six millions sterling on this business of supplyi grain to the Famine districts.

Before leaving this part of my subject, I must add tha when the dark shadow of Famine hung over the Nort Western Provinces and the Punjab in September last— a shadow which has been happily dispelled—there wer many signs that all classes had learnt an important lesso from the history of 1877, and that they trusted the Gover ment to act up to its avowed principles and leave the tra in grain unfettered. Not only traders, but people of a classes, rushed into the grain market and bought up foo for future need or for future sale. In this way prices we up very suddenly, it is true; but high prices are, at su times, the salvation of a country. Consumption not essen is sternly checked, and the reduction of stocks is lessen until the rise of prices, with the accompanying prospects profits to producers and traders, leads to importations fr without. Such were the effects at the time to whic refer, and they supplied by a perfectly natural process first precautions which were called for. I know how cult and tedious a work it is to eradicate from the min men and of Governments, which, after all, consist of false economical beliefs, and I will venture on no proph in regard to the future. But I can, for my part, conceiv no stronger evidence than that which the late Famine has given us of the ruinous impolicy, at such times, of interference by Government with the operations of private trade. Happily for India, all proposals to depart from this princi-

ple were rejected, and the event has shown that the supply of food has never failed.

It is true that, in one instance, the Government somewhat departed from its resolution to leave trade absolutely free. It gave the traffic in grain consigned to the Famine districts preference over all other traffic on the Railways, and complaint has been made that injury was thus caused to the export trade of the port of Bombay. I do not think it necessary to defend this decision, and I think that all disinterested persons will say that, so long as there appeared imminent risk of multitudes of people starving if food were not sent to them, the Government was right in saying that consignments of grain should take precedence of consignments of other commodities. But I cannot doubt that the temporary falling-off during the late Famine in the export trade of Bombay was mainly, if not entirely, due to general rather than to any special causes. It was inevitable that an almost complete failure of crops throughout a great portion of the Deccan and Mahratta country, which usually sends its surplus produce to Bombay, should have its effect in reducing the exports from that port. The trade reports received from Bombay entirely corroborate this view, and indicate that the same causes had a very general operation; so that, speaking for myself, on the information at my command, which is possibly imperfect, I am forced to the conclusion that if the Government had not interfered at all, the ultimate results would not have been materially different from those that actually happened. And I see in this a complete confirmation of the wisdom of the principle of non-interference we have adopted, and an encouragement for the future to leave it on all similar occasions to its fullest operation.

Let me add that the export of wheat from India to Europe was, during the Famine year, larger than ever. During the year ending 30th September, 1876, 198,000 tons of wheat were exported, while, in the year ending 30th September,

1877, the quantity amounted to 394,000 tons. In Southern India the great mass of the people never eat wheat at all. This explains why, notwithstanding the demand for food in the Famine country, the export of wheat from India to Europe could, during the year just passed, become, without difficulty, twice as large as it ever was before. The export of rice to Europe, on the other hand, has decreased, for rice is one of the staple foods of the population of Southern India.

I will not apologise for this long digression. I have thought it necessary to refer prominently to the question of non-interference with private trade in time of Famine, because it has an intimate connection with my argument in favour of throwing upon the agricultural and commercial classes the chief responsibility for meeting the charges required for the protection of the country against Famine, and because the wisdom of the policy of non-interference has, during the past year, been proved by facts which are absolutely irrefutable.

I am told, on the highest authority, that never, perhaps, within the memory of man, has there been seen in Bengal anything like the general prosperity which now prevails among almost all classes; and this prosperity has been immensely stimulated by the influx of money, and the great demands on the produce and industry of the Province which have arisen from the Famine in Madras. Agriculture, trade, and the industrial arts have alike benefited. But it is not to be overlooked that there is one class which does not share in this general prosperity, or which shares very little in it, the class which depends on fixed incomes for its support, or whose incomes are little affected by competition. The small officials and others subsisting on wages the amount of which they are powerless to regulate, suffer in particular from the high prices which prevail, and which serve to enrich the producing and trading classes. There are, I think, other

reasons which make it equitable that the obligation of providing for the relief of Famine should fall as lightly as possible on the class of which I have just been speaking, and indeed, on the professional classes generally. In times of serious Famine no large proportion of these come upon the relief which the Government has to administer. The poorer field labourers in the villages, and the poorer members of the trading and industrial classes in the towns, are the first section of the population which suffers, and, even when Famine is at its height, the mass of the people receiving relief are field labourers, petty ryots, and artisans. Very few priests, and lawyers, and schoolmasters, and people with fixed incomes, actually demand Government relief, although they may feel sorely the pressure of famine prices. This class with more or less fixed incomes, then, although we cannot relieve it, will have no fresh burdens imposed upon it by the measures which we now desire to take.

The principle that it was on the agricultural and commercial and industrial classes that the main burden of providing for their own protection against Famine must fall, was recognised and partially enforced by the legislative measures adopted at the beginning of the present financial year. So far as the agricultural classes are concerned it was carried into effect in Bengal by the imposition of a cess upon land in order to enable the Government to meet the charges incurred on account of the Canals and Railways required for the protection of the Province against Famine, and by making the demand in addition to the local rates it was shown clearly that the Government desired enforce, and to bring home to the minds of the people, the special objects with which the new demand was made. The agricultural classes of Bengal are now paying about £280,000 a year for their protection against famine. The same principle was affirmed, although I can hardly say that practical effect has been given to it, in the North-Western Provinces, by the

Act which was passed in March last (No. 7 of 1877) for enabling the Local Government to appropriate, on account of provincial Railways and Canals, a portion of the existing local rates upon land. That Act recognised the principle that the land throughout the whole Province ought to be made to contribute towards the prevention of Famine. The liability of the commercial classes to contribute for this purpose was, at the same time, declared in the North-Western Provinces by the License Tax upon trades which was imposed by Act 8 of 1877. In Bengal no similar law was enacted; but my honourable friend the Lieutenant-Governor, when the land cess was under discussion in the Bengal Legislative Council, stated very plainly the probability that this measure would soon be followed up by a tax on the trading classes.

We now propose to supplement the measures of March last. In Bengal we have got already our tax upon the land; we now desire to impose a corresponding tax on the commercial classes. In the North-Western Provinces we have got already a tax on the commercial classes; we propose to develop it and supplement it by a tax on the land. In the Punjab, in Oudh, and in the other parts of India mentioned in the Bill which I am asking leave to introduce, there has been no fresh taxation; we now wish to impose similar new taxes in those Provinces, both on the commercial classes and on the land. The amount and incidence of these taxes must more or less vary according to the circumstances of different Provinces; but, if our measures receive the approval of the Council, the same principle will have been carried out in all parts of the Bengal Presidency.

I shall not have to occupy much time in describing the details of the measures which we propose, for they are extremely simple. The License Tax introduced into the North-Western Provinces by Act 8 of 1877 has, so far as our short experience enables us to judge, worked very satisfactorily. It has given rise to no complaints of any import-

ance, and, under the excellent administration of the Government of the North-Western Provinces and its officers, it promises, without the least prsssure or harshness, to yield a good deal more revenue than was anticipated. We think, however, that the tax may be made more equitable and at the same time more profitable, by a few changes, and those changes are moreover necessary to make the tax in the North-Western Provinces harmonise with the measures which we shall have to take elsewhere. Under the existing Act, a simple rate of license fee is fixed for each trade, without any reference to the extent of the transactions which may be carried on. Thus every one called a Banker pays 16 rupees a year, whether he deals with millions or carries on the business of a petty money-lender. We now propose to revert to the form of the Licensing Bill originally introduced for the North-Western Provinces, and to adopt a graduated scale of assessment. Thus, for instance, traders in the first class of the Schedule will, as the Council will see, be divided into grades, the highest grade paying Rs. 200 a year, and the lowest grade one rupee. The sums levied will, in all cases, be so moderate that, even when mistakes are made in the assessment, no great hardship can occur. The Collector will usually have little difficulty, in practice, in making a classification of the traders in each class. There must, of course, be a good deal of inequality in all taxes of this kind, and they are always open to the objection that they press relatively less heavily on the richer than on the poorer classes. This is one of the penalties to which we have to submit as the price of our desire to avoid all inquisitorial proceedings, and of the determination to have no Income Tax. I need not describe the details of the fees proposed for each class. The Council will find them in the Schedule of the Bill. The highest amount which, under any circumstances, any individual or company can ever be called upon to pay annually will be Rs. 200. The lowest fee of all is

one rupee. These will be the maximum and minimum rates in every Province ; but the details of classification will necessarily vary. The Schedule of the Bill has been prepared in communication with the Local Governments, but it is possible that alterations may be suggested before the Council is asked to pass the Bill into law.

There is a provision in the Bill similar to that contained in the existing Licensing Act, to the effect that any person dissatisfied with the amount of the fee charged against him may claim to be placed in a lower grade, or be exempted from payment altogether, if he is able to produce evidence to satisfy the Collector that the amount demanded will fall at a rate exceeding two per cent. on his annual profits. This provision is a useful safeguard, although I do not suppose that it will be very often applied. Notwithstanding our determination to have no enquiries which would make the tax resemble an Income Tax, it is obviously necessary to have some test to which an appeal can be made if a dispute arises regarding the grade in which a man ought to be included. This test, however we may disguise the fact, must depend, in the last report, on the amount of his estimated profits, and, provided that we confine the application of the test to those cases only in which a person considering himself aggrieved chooses to demand its application, and we leave to him the choice of the evidence by which his claim is to be supported, we reduce to a minimum the difficulties which we cannot avoid altogether. It will be the duty of the Local Governments, subject to the approval of the Government of India, to lay down rules for the guidance of the Collectors in regard to this matter. Subject to the same approval, it is proposed that the Local Governments shall define, according to the circumstances of each Province, the conditions under which persons shall be exempted altogether from the tax, on account of their poverty and presumed inability to pay, without hardship, even the lower rate of license.

The Bills which I am about to ask leave to introduce are designed to carry out the plans which I have described, throughout the North-Western Provinces, Oudh, the Panjab, and the Central Provinces. For the Central Provinces, however, legislation is only necessary in regard to the land. The new burden to be imposed on the commercial classes can be levied under the existing law by an addition which the Executive Government is empowered to make to the Pandhri Tax. This being an impost which has existed from time immemorial, it will be much better to make a moderate addition to it, and not introduce similar taxation in another form unfamiliar to the people. There are some other parts of India, and especially British Burma, in regard to which I cannot now make any announcement, because we have not been able to consult the local authorities as fully as we desire.

In regard to the measures proposed for introducing the License Tax into Bengal, I will not speak in any detail, because those measures will be carried out by the Local Government. The Government of India has been in communication with the Lieutenant-Governor; and the two Governments are in complete accord. As, however, the public in this great Province will naturally be anxious to know something more on the subject, I will, with your Excellency's permission, ask His Honor to give to the Council a sketch of the plans which it is his intention to propose. I will only say, myself, that the measures taken in Bengal will be the same in principle as those described in the Bills for Northern India, which I am now asking leave to introduce, and the maximum and minimum fees will also be the same.

Thus far I have spoken only of the Provinces of the Bengal Presidency. Passing now to Madras and Bombay, I have to remark that it appears to the Government that, so far as the commercial classes are concerned, there are no

reasons for applying to them a different rule to that which will be applied to the rest of India. We propose, therefore, that a License Tax, similar in principle and in amount to that which I have described, shall also be levied in those Presidencies. I am not now able to say anything of the details of the plans to be adopted, because our communications with the Local Governments on the subject are incomplete. It will probably be the wish of those Governments that the necessary measures should be taken by the Local Legislatures, and not by this Council.

We do not, however, propose to levy in Madras and Bombay any new direct taxation on the agricultural community, similar to that which has been proposed, and to a great extent already carried out, in the Bengal Presidency. I will state to the Council the reasons for this determination.

But before I do this, it will be convenient if I indicate the financial results of the measures which I have been explaining. I am not able at the present time to give an estimate which would show in detail, with any accuracy, the amount which our new taxes will yield. I have, however, endeavoured, by a careful examination of all accessible facts, and especially of the statistics of the old License, and Certificate, and Income Taxes imposed at various times, to form as correct a judgment on this point as possible. My conclusion is that the new taxes may be expected to yield for the whole of India something short of £800,000 a year.

I have already shown to the Council that at the beginning of the present year new taxes to the amount of about £325,000 were imposed. Thus the total addition made to our Revenue by new taxation since the commencement of the year will be about £1,100,000.

I have also shown that the new arrangements under which the responsibilities of the Local Governments have been extended will give, without imposing any new burdens

on the country, financial relief to the extent of nearly £400,000 a year. We shall thus provide the whole sum of £1,500,000 by which our position has to be improved, to enable us to make due provision for the prevention and relief of Famine.

After, however, all this has been done, there will not remain that margin of Income over Expenditure which, as I reminded the Council, is necessary to enable us to meet those contingencies which cannot be foreseen, but which are certain to occur. Independently of Famine charges on the one hand, and of the improvement in our Revenues lately made, or now proposed, on the other hand, my conclusion was that our income, at the time which I have taken as our starting-point, could not be regarded as supplying any surplus, and that there was reason to think that the balance was rather in the other direction. I said, following the views expressed by the Secretary of State, that the very smallest sum which we ought to provide on our estimates on this account as a surplus was £500,000 a year. We have still, therefore, at least this sum to make good. I will now explain the manner in which we think that this should be done, and in so doing I shall complete what has to be said regarding Madras and Bombay.

When I made my Financial Statement, I spoke at some length on the urgent necessity for carrying into effect, with the least possible delay, a great measure of fiscal and administrative reform; perhaps the greatest reform of the kind that remains to be accomplished in India. I mean the equalisation of the Salt Duties, and the abolition of the Inland Customs Line, and with it of the transit duties on Sugar, the produce of our own territories. I will not dilate on these barbarous imposts. "*Non ragioniam di lor, ma guarda e passa.*" In order to bring under taxation the salt imported from Rajputana into Northern India, and to shut out salt taxed at a lower rate, this vast system of Inland

Customs Lines "stretches its length, accursed of gods and men," some two thousand miles across the whole breadth of India. Committing, as I afterwards found, an unconscious plagiarism from Mr. Grant Duff, I described to the Council this huge barrier, which would reach from London to Constantinople, as comparable to nothing that can be named in the world except the great wall of China; a great impenetrable hedge of thorny trees, and evil plants, and stone walls, and ditches through which no man or beast can pass without being stopped and searched. Eight thousand men guard this unspeakable barrier. I have poured forth in times past such constant indignation against this abominable system, that it is difficult for me to find new terms of opprobrium. I now see, I think, the time at hand when we shall strive to banish from our recollection this anachronism and disgrace to British rule, and, if I may come back to my Poet, say of all these things "*Fama di loro il mondo esser non lassa.*"

To get rid of these Inland Customs Lines, two things are necessary. We have to enter into arrangements with the Native States of Rajputana, which will enable us to levy our duties at the places of production, and we have to remove the great inequalities in the rates at which salt is taxed in different parts of India. Our negociations with the Native States of Rajputana are not completed, but they are in active progress, and there is no doubt that they will, before long, be brought to a satisfactory conclusion. There will then remain the equalisation of the duties, which now vary from 1 rupee 13 annas a maund (82 lbs.) in Madras and Bombay, to 3 rupees a maund in Northern India, and 3 rupees 4 annas a maund in Bengal. As I stated to the Council in March, the Government of India has, for many years past, never lost sight of this question, and important and effectual measures were adopted by Lord Mayo and by Lord Northbrook towards the removal of the great evils

which I have been describing. But for the steps which they took, the completion of our task would not now have been brought so nearly within our reach.

Although the necessity for equalising the Salt Duties has so long been recognised by the Government of India and by Her Majesty's Government, action has been till now in great degree prevented by the anxious desire that the object in view should be at least partially effected by a reduction of the Salt Duties in the Bengal Presidency, and not only by an increase of those in Madras and Bombay. The state of our Finances has never in the past permitted, still less does it now permit, the sacrifice of Revenue which a simple measure of reduction would have involved. I said in March last that if it had been possible we should have been glad to see the rates of duties on this side of India reduced immediately to those in force in Madras and Bombay, but that I feared it would be found financially impossible to bring about the equalisation in this manner, and that we must in the first instance, and at least temporarily, increase the lower duties without reducing the higher to the full extent ultimately desired. Unfortunately, our financial difficulties continue; and although I still look forward hopefully to the time when we shall be able to relieve the people of the Bengal Presidency from the high Salt Duties which they have now to pay, it is clear that under present circumstances we can do this only to a limited extent. The object at which we aim is, as I have said before, to give to the people throughout India the means of obtaining, with the least possible inconvenience, and at the cheapest rate consistent with financial necessities, a supply of salt, the quantity of which shall be limited only by the capacity of the people for consumption.

It is calculated that a general rate of about two rupees eight annas a maund throughout the whole of India would be necessary to produce an amount equal to the Salt

Revenue which we now obtain, and whatever may be our anticipations for the future, we cannot now propose any measures which would reduce the total amount which the Salt Duties yield. For the present, therefore, what we aim at is such a general rate of two rupees eight annas a maund, or one anna or seer. This is something less than three farthings a pound, and it is not more than one-half of the duty levied on salt in France in 1876. The prospect of arriving at a lower rate than this is now too remote to be taken into practical consideration. The step we now propose, then, is an increase of the Salt Duties in Madras and Bombay to the extent I have named.

A year ago the Government hoped to have soon carried out these measures for abolishing the Inland Customs Line and equalising the Salt Duties; but the Famine made this impossible.

It is true that the increase of annual taxation involved by raising the Salt duty in Southern India to two rupees eight annas a maund would only be about twopence a head and for the poorer classes the annual additional charge would be even less. It is true, also, that payment of the tax is distributed over the year by almost daily instalments, each of them infinitesimally small. It is also true that in the years 1859, 1860, and 1861, the Salt Duty was raised in Bengal by twelve annas a maund, and in the Upper Provinces by one rupee a maund, not only without occasioning discontent or reducing consumption, but that these measures hardly even attracted attention. The Government felt, however, that the objections to increasing the price of salt at a time of serious Famine were insuperable.

We were therefore then obliged to postpone this great reform. But the question has now been again forced on the consideration of the Government, by the necessity of providing means for meeting the great expenditure incurred in the past, and to be incurred in the future, for the pre-

vention and relief of famine. The Presidencies of Madras and Bombay must of course bear their share of the common burden. There are no reasons of principle why taxes similar to those which we are proposing to levy in the Bengal Presidency should not also be imposed in Madras and Bombay; and, if we were now to levy those taxes, on the commercial and the agricultural classes, in those Presidencies, and, having done this, we were to equalise the Salt Duties, it could hardly be said that we were doing anything unjust. It might be urged that there is no reason why the people of Southern and Western India, who in ordinary times are at least as prosperous as those of Bengal, should pay a lower duty on their salt, and it might be said that the existing inequality is aggravated by the fact that owing to the greater proximity of its sources of supply, salt in Madras and Bombay would, if the duty were everywhere the same, be, as a rule, considerably cheaper than in Bengal. We might be told that the necessity of increasing the Salt Duties in Madras and Bombay had been admitted and virtually resolved upon by the Government of India and by Her Majesty's Government long before any of these Famine questions arose, and that we ought not now to take into consideration the equalisation of these duties in determining what amount of new taxes Madras and Bombay ought to pay on account of Famine expenditure. The Government of India has decided otherwise. While it admits the necessity of making the burden of taxation as equal as possible in the different Provinces of the Empire, it does not think that it would now be right to impose fresh direct taxation on the agricultural classes in Madras and Bombay, and then make an increased demand upon them for the purpose of equalising the Salt Duties throughout India. It is on these classes that an increase in the tax on salt will mainly fall, and, considering that these also are the classes which have had to bear the severest pressure of Famine, the Government

does not think that it would be expedient to levy upon them, at any rate at the present time, additional taxes similar to those which we are proposing to levy in the Bengal Presidency. Nor can we neglect the consideration of the fact that, in some parts of the Bombay Presidency, the land revenue is already so high that it would be a measure of very doubtful expediency to impose new direct taxation affecting the classes interested in the land. The Government has therefore decided that the increase of Revenue which it will derive from raising the Salt Duties in Madras and Bombay shall be held to obviate the necessity of imposing new direct taxation on the land.

We have feared that, while raising the Salt Duties in those Presidencies to two rupees eight annas per maund, and foregoing the fresh taxation which will be imposed in the Bengal Presidency, the state of our finances would not permit of any reduction being made in the Salt Duties of Bengal and Upper India. We find that we cannot safely estimate for a greater sum than £500,000 from the enhancement in Madras and Bombay. We are, however, most anxious to give an earnest of the sincerity of our determination to carry out the great policy which the Government of India and Her Majesty's Government have affirmed. That policy, as I have already said, aims at giving to the people throughout India an unlimited supply of salt at the cheapest possible cost. We desire to show that our main object in increasing the Madras and Bombay Salt tax is not the immediate profit to be derived from the measure. We have therefore determined to devote £200,000 out of the £500,000 to the reduction of the Salt Duties in Bengal and the Upper Provinces. We propose to reduce the Bengal rate by two annas, and that of the Upper Provinces by four annas a maund, and thus, while enhancing the cost of salt to some 47 millions to our subjects, to do something towards cheapening it to some 130 millions.

With the small difference of four annas per maund duty in Bombay and the Central Provinces, we are enabled without risk, to abolish the mileage rates now levied on all salt imported by the Great Indian Peninsula Railway to the Central Provinces and Berar. These mileage duties, while necessitating the entertainment of customs establishments on the Railway to supervise the weighment and loading of every pound of salt put into the wagons, have the economic fault of enhancing the duties on the salt in direct proportion to the distance they are carried from the place of production, so that where salt is naturally dearest, it has to pay the highest duty. The effect of the abolition of this duty must be to stimulate the salt trade from Bombay by removing all restrictions and interference from it, while a sensible relief will be given to those of our subjects to whom salt is now dearer than anywhere in India.

Notwithstanding its anxious desire to carry into effect this great measure of reform with the least possible delay, the Government of India felt that it still remained a serious question whether it was right, at the present time, when the distress which has fallen upon the people of Southern and Western India has hardly passed away, to adopt a measure which would increase, even in the smallest degree, the price of one of the first necessaries of life. . . . .

We felt that we exposed ourselves to the risk of misconception and misrepresentation; and that although it was true that the additional burden thrown on the peasant of Madras could not exceed more than a few pence a year for himself and his family, it would be thought that the time was not opportune for making any increase at all to the price of salt. The Government, however, considered that it would not be satisfactory, if it were compelled to confine the announcement of the measures which it proposed to take, to those only which were to be applied in the Bengal Presidency. It was obviously impossible to give any public

notice beforehand of the intention of the Government to alter the rates of the duty upon salt. Serious loss of Revenue and serious disturbance of trade would have been the inevitable result. When we alter duties like these, it is essential that the necessary measures should be passed through the Council at a single sitting. We might of course have postponed giving any information regarding the new taxation in Madras and Bombay; but my statement would then have been incomplete, and doubt and excitement would have continued to exist regarding the measures to be taken in those Presidencies. We thought it right to leave to the decision of the Government of Madras the question whether the necessary steps should be taken contemporaneously with those in other Provinces; and whether, the eventual increase of the Salt Duties in that Presidency being inevitable, it could give its approval and support to their immediate adoption, or whether that Government saw valid reasons for delaying action for a few months. The decision of the Government of Madras was communicated to the Government of India in these terms, that the eventual increase being decided on, they were of opinion that the change should be simultaneous, universal, and prompt, and that there was no sufficient reason for, nor any benefit from, a few months' delay. The Government of Bombay has given its cordial approval of the measures which the Government of India has proposed to apply to that Presidency, and has concurred in the opinion that the increase in the Salt Duties should take place at once. The Government of India feels no doubt that the Local Governments are right; and, fortified by the decided opinions which they have expressed, it has resolved to ask the Council to pass at once into law the Bill for increasing the Salt Duties in Madras and Bombay which the Hon. Mr. Hope is about on my behalf to ask leave to introduce.

The objections felt to dealing with these duties at the

beginning of the financial year would no doubt have been almost entirely sentimental, though they would not on that account have been less real or serious; and this is a truth of which we now have direct evidence of fact, in an ascertained large increase of consumption, both in Madras and Bombay, during the past eight months of very exceptional difficulty through which the population has had to pass. In no equal period of any previous year has the consumption of salt been so large in these Presidencies.

In regard to the reduction of the duties proposed in the Bengal Presidency, the Government possesses, under the existing law, full power to do, by executive order, all that is required. If, therefore, the Council should approve the measures suggested for Madras and Bombay, no further legislative action will be necessary.

From these explanations it will be seen that a sum of £300,000 will be provided from the increased Salt Duties, in aid of the addition to the Revenue I had shown to be still requisite to make it up to the amount that should furnish the surplus of £500,000 deemed necessary.

But it will at the same time be perceived that, as the avowed policy of the Government is to equalize the Salt Duties by the reduction of these duties in the Bengal Presidency, this last named addition of £300,000 will not constitute a permanent item of Revenue. On the contrary, it is our intention, as soon as the improved position of the country will admit, to carry out the long deferred equalization of these duties, which will involve the sacrifice of the temporary increase of income which our present needs will not permit us to forego.

It might thus appear that there still remains an uncovered deficiency for which no permanent provision has been made. The Council, however, will bear in mind that it has been established, I think beyond reasonable doubt, not only to my own satisfaction, but also to that of my predecessors in

office, that we may rely on a steady increase to the general Revenues : and we have felt that it would not be right, when proposing fresh taxation, to neglect this aspect of the case. We have consequently determined to accept this normal growth of our income as a sufficient security for making good the £200,000 which would still be required to complete the desired surplus of £500,000, and as affording a probable means of accomplishing the complete equalization of the Salt Duties, and other desirable fiscal reforms, at no distant future. We are strengthened in this hope by the circumstance that our estimates of the produce of our new taxes have been prudently framed ; but after all we have only estimates on which to work, and we must not disguise the fact that, should our anticipations of our position at the end of the present financial year be disappointed, we may again have to come to the Council to ask for further aid in completing the task we have in hand, a task than which no weightier one ever rested on the Government of India.

I have now, my Lord, finished my special task, and I will add only a few words of a more general character. The objects of the Government, it will have been gathered, are twofold : first, to obtain that addition to the public income which experience shows to be required to meet the charges that arise, directly or indirectly, in a series of years, by reason of scarcity and famine ; and second, to secure a proper margin of ordinary surplus to meet those unforeseen irregularities in the Revenue and Expenditure, which necessarily lead to differences between the estimates of the year and the actual amount.

As to the first of these objects, I desire to say that the recognition by the Government of this new obligation implies no suggestion of diminished public wealth or a decaying revenue. Rather, the very contrary is true, and it is the stronger perception of the generally advancing condition of

the community, and of its requirements and capacities, that has induced this movement. It is the firm intention of the present Government to apply the funds now to be provided for this special purpose, strictly to the exclusive objects which they were designed to secure. In such matters, no doubt, Governments cannot fetter their successors, and nothing that we could now say or do would prevent the application of this fund to other purposes. Without thinking of a future far removed from us, events might of course happen which would render it impracticable even for us, who have designed these measures, to maintain our present resolutions.

So far, however, as we can now speak for the future, the Government of India intends to keep this million and a half as an insurance against Famine alone. In saying this I should explain that we do not contemplate the constitution of any separate statutory fund, as such a course would be attended with many useless and inconvenient complications, without giving any real security. Unless, then, it should be proved hereafter by experience that the annual appropriation of a smaller sum from our Revenues will give to the country the protection which it requires, we consider that the estimates of every year ought to make provision for religiously applying the sum I have mentioned to this sole purpose, and I hope that no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.

The second of our objects, the maintenance of a substantial surplus, not liable to be found imaginary when our year's transactions are completed, we regard as the means for securing that continued amelioration of our fiscal and administrative systems, without which no true progress or real economy is possible.

I will only further detain the Council to say that, if one

fact has been more certainly established by experience than another, it is this; that, in carrying out really effectual and satisfactory measures of relief in time of Famine, sound principles and good administration are far more important and far more efficient agents than the lavish expenditure of money. It would be easy to show that, during the late Famine, the districts in which we find false principles, bad supervision leading to every sort of dishonesty and peculation, and reckless waste of the public funds, are the very places where the extremity of suffering has been reached, and lamentable loss of life has occurred. On the other hand, in districts where the failure of the crops was quite as complete, and the difficulty of saving the people from starvation was as great, it has been shown that sound principles and good administration can make wise economy compatible with the most efficient system of relief. It is a truth which cannot be too distinctly recognised by the Government and by the Public, that it is not only by the expenditure of money, or by merely material means, by railways, roads, and works of irrigation, that we can protect the people against Famine; but that much progress in their social condition and increase of wealth, as well as improvements in the every-day administration of the country, are also conditions which must be fulfilled before complete and permanent protection against Famine can be obtained. To fulfil these conditions, a thoroughly sound financial position is an essential preliminary, and it is this that we seek to establish.

II.

SPEECH BY

THE HON. ASHLEY EDEN,

Lieutenant-Governor of Bengal.

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Lieut.-Governor of Bengal.

MY LORD,—I have been invited by my honourable friend, Sir John Strachey, to explain the measures which it is proposed to adopt in Bengal with a view of carrying out the policy of the Government of India which he has just declared, and I will endeavour to do so as briefly as the circumstances will permit.

I think it must have been generally anticipated, even before Sir J. Strachey made his able and comprehensive exposition of the present financial position of Government, that it was quite impossible that the administration of the country could be carried on without some increase of taxation.

If only the country could be secured for a few years from famine, war, or other calamity, the finances of India would evidently be in a most flourishing condition. But such extraordinary calls as have been made upon it in the last few years, to meet the expenditure of recurring famines, have plunged the country into difficulties from which it can only be relieved by such measures as shall provide a very considerable increase of revenue to the Imperial Government.

I may, I think, say for the people of Bengal that they have for some time past been prepared for a demand to bear, in common with the other provinces of the Empire, their share of the cost of meeting these extraordinary charges; and I feel that they will cheerfully accept the requisition which I shall be compelled to make upon them. I am sure that the action of the Government of India, in determining to save the lives of the people at any cost which it was possible for the country to bear, has the entire concurrence of the people of Bengal. In the early stages of the famine at Madras many influential and leading men of the country expressed a wish that everything which could be done with this object should be done, and that the cost should be subsequently raised from them by taxation fairly distributed.

I have under these circumstances felt no hesitation in expressing my readiness to accept the burden which it is proposed to throw on Bengal as the contribution towards the expenses of famine relief, and I feel that I shall have the support of the Local Council and the public in the measure which I shall be compelled to lay before that Council in a few days to enable me to meet the call which has been made upon me.

I should not, however, be dealing frankly with your Lordship if I did not say that the expressions which I have heard of the readiness of the people of Bengal to bear their share of the cost of Famine have been qualified by a strong wish that before imposing fresh taxation the Government of India should thoroughly analyse the increasing charges of the Army with a view of applying to that branch of the public service the same rigid economy that has been applied to other branches of the service. I am not in a position to say how far this wish is reasonable, or how far compliance with it is possible; but I feel it my duty to say I know it is a subject which is very much

occupying the mind of educated native gentlemen in connection with the question of fresh taxation, and that considerable agitation of the subject is going on. And it is therefore with sincere pleasure that I have heard that the question is receiving full consideration from the Government.

I have much pleasure in saying that the general effect of the decentralization system, in respect to the facilities which it has given to provincial administration, has been thoroughly satisfactory. In making the Local Government responsible for expenditure, and giving them a direct interest in the development of various branches of the revenue, it has secured a careful scrutiny over the expenditure of all departments and a deep interest in all improveable heads of revenue which has extended to all grades on the service. District officers understand that the Provincial Government cannot devote money to new works and schemes without an improving revenue, and they have cordially and loyally co-operated with the Government in suggesting such measures as appear likely to beneficially affect the revenue.

The Local Government has been able, since the first introduction of the system in 1870-71, to carry out many measures of improvement on its own responsibility, which would, before the introduction of this system, have had to wait upon the requirements of other provinces. All friction with the Imperial Government has been obviated and much useless correspondence avoided.

I think that in adjusting taxation to the special circumstances of each province, and equalizing as far as possible the relative incidence of taxation upon the various classes of the community, leaving the details to be settled by the Local Government, the Government has acted most wisely. The circumstances and conditions of the various provinces are very different, and the incidence of present taxation is also very different in one part of the country to

what it is in another. It is, as has just been explained, proposed to levy in the North-Western Provinces a cess upon the land, while last year the deficiency of revenue was there made up by a License Tax on trades. But in Bengal we have already, in the last few years, imposed upon the land a charge of £600,000, of which £300,000 has been assigned to the Imperial Government as a permanent contribution, while our trading community has been left perfectly free of taxation. Though, therefore, I admit that it is just and reasonable that the landed interest should now, as in the North-Western Provinces, be called upon to share with the trading classes the incidence of taxation, I feel that it is quite impossible at the present time to ask the landed interests and the agricultural population of Bengal to pay anything further; and I feel, in common with nearly all the officials throughout the country who have been consulted on the subject, that the time has come when the trading and artizan classes should be called upon to bear their share of taxation from which they have hitherto been free.

It may perhaps be considered right that I should take this opportunity of stating formally to the Council, under the sanction which I have received from your Excellency's Government, the measure which I propose to submit for the consideration of the Bengal Legislative Council, in order that I may be in a position to comply with the requirements of the Imperial Government.

Last year, when introducing the public works cess on land, I observed that there appeared to be a very general opinion that something should be done to throw a portion of the incidence of taxation upon the non-agricultural classes. Time did not then admit of the elaboration of any measure for the purpose, but I promised that I would consult with the Commissioners of Divisions in Bengal, and would watch the working of the new license tax in

the North-Western Provinces with a view of considering whether we could not shift some portion of the burthen of fresh taxation upon classes not interested in the land.

The result of the reference to Commissioners and local officers was to show that there is a large preponderance of opinion in favor of the feasibility of introducing and working a license tax of the kind proposed. The events of the past year have, however, made it clear that, so far from our being able to relieve the classes interested in land by transferring a portion of their burden to the classes engaged in trade and commerce, we shall require, not only all that we now draw from the provincial public work cess, but a very considerable additional income to enable us to meet the liabilities which the supreme Government is compelled to impose upon us. The amount that we are now required to find to enable the Imperial Government to meet famine expenditure is 30 lakhs of rupees net; and we must therefore raise a sum of money sufficient to cover all costs of collection and to save us all risk of inability to meet the unpaid demand.

With the approval of the Government of India, it has been determined to raise a sum estimated on this basis by a tax upon trades, dealings, and industries throughout the Lower Provinces. Looking to the sums paid by the landed classes and the cultivators under the Road Cess and Public Works Cess Acts, it is clear that this is not too large a demand to make upon the commercial and industrial wealth of this great province. During the last few years Bengal has advanced rapidly in wealth. Its trade has received large developments, having profited generally by the misfortunes of other provinces and by the gradual improvement of the agricultural classes at home. Its people are, on the whole, the most lightly taxed in all India.

It having, then, been determined to levy a tax of this amount upon trade and commerce and industries other than

agriculture, the question remained what shape the tax should take—should the money required be raised by imposing substantial rates upon the wealthier members of the trading and industrial classes, or by imposing a light general tax upon every class of trade and industry, or by a combination of these measures? To enable us to decide this point, the records of former taxes upon trade and industries were carefully scrutinized.

We have most carefully examined the statistics of the various license taxes, certificate taxes, and income taxes passed or proposed and discussed since 1861, and have endeavoured to apply the facts thus gleaned in such a manner as to be able to form a very rough approximate estimate of the yield of the modified license tax which we now propose. On the whole, the conclusion which we came to, on a review of the foregoing and other available facts, was that, if we levied a license tax upon trade and industrial incomes of Rs. 200 and upwards, at the rates adopted in the Certificate Tax Act of 1868, we could not hope to realize much more than fifteen lakhs of rupees in all Bengal. There was, moreover, this objection to any tax based on the model of the Certificate Act, that it was after all a tax regulated directly by reference to income, and that in the higher classes the rates were too high for a mere license tax.

The fact that India is, after all, a country where the number of wealthy men is very limited, must always be borne in mind when considering questions of taxation. Any tax, therefore, which is to be largely productive must be assessed on a very large number of people, and it is quite impossible to hope that we can raise all we want by a tax, however heavy, to be levied on only the wealthiest traders. We want to make all classes pay their fair share of taxation. We have, in respect to the land cess, levied it from every class of ryot, and the tax on trades and industries should follow the same lines as far as possible. The classes who

suffer most when Famine occurs, should certainly contribute something in seasons of prosperity to funds raised for purposes of enabling the Government to meet Famines.

It was resolved, therefore, that the tax should take the shape of a license tax, of which the maximum rate should be Rs. 200, and that maximum to be only leviable upon joint-stock companies, and a few of the very largest traders and bankers. Substantial traders of a lower class will be taxed at the rates of Rs. 100, Rs. 32, and Rs. 10; while small traders and artizans will pay Rs. 4, Rs. 2, or Re. 1, according to their means.

In the town of Calcutta a license tax is already imposed on "Professions, Trades, and Callings," in the manner set out in the third schedule of Act IV. (B.C.) of 1876. Under that schedule, Rs. 251,000 are annually collected for municipal purposes. It appeared that, with certain exceptions, the rates therein set forth would be suitable rates to impose for the purposes of a provincial license tax in the town of Calcutta, so far as the classes specified in that schedule were concerned. It is obviously very desirable to extend existing forms of taxation where they exist, and are capable of adaptation, rather than impose new taxes; and though it may involve some loss of money, we have determined to apply to Calcutta its present form of municipal license tax, rather than introduce a new tax, with a new assessment and a fresh collecting and assessing machinery. In Calcutta it is not proposed to exempt any of the classes mentioned in the schedule of the Municipal Act. Calcutta has specially benefited by the growth of trade, and its professional men have specially shared in the general prosperity of the place. The tax is so small that I am sure they will gladly accept it, as a most beneficial substitute for the income tax, with which my honourable friend has just threatened us.

The only addition to the existing license tax is that joint-stock companies and wholesale dealers shall pay a license

of Rs. 200, and that wholesale brokers shall pay a license of Rs. 100 per annum; and further, some of the classes of artizans and mechanics who will be subject to taxation in the interior will also be subject to the license tax in Calcutta.

It has been decided that after an estimate has been made of the probable proceeds of a license tax, such as that above described, within the municipal limits of Calcutta, the Municipality should be required to contract for the payment to Government of a fixed annual sum, such as would leave the town a fair margin for cost of collection and to cover all risks.

For the interior of Bengal, I propose to ask the Local Council to pass a Licence Tax Act under which the highest rate levied upon a joint-stock company or any wholesale dealer will be Rs. 200. The license fee upon other classes will be graduated in a few clear and distinct grades down to one rupee. The rates, while we hope they will be very productive, will, it is hoped, fall very lightly indeed upon any class; and the various grades will be capable of easy classification without any direct reference to coercive or any sort of inquisitional proceedings on the part of assessors.

It has further been decided that the house cess under Act X. (B.C.) of 1871 and Act II. (B.C.) of 1877 should be remitted in the case of those paying the license tax. The house cess was made a part of the Road Cess Act in order to compel traders and professional persons in the interior, living outside the municipal limits, to contribute, along with the cultivating classes, for the purpose of that Act. It brings in very little at present (only about $1\frac{3}{4}$ lakhs for all Bengal), and is very unpopular with the officials and the public. Under the Provincial Public Works Act, the house cess is again levied on the same classes at maximum rates. The license tax will fall on precisely the same class of persons as pay house cess under the two Acts last mentioned,

it would be felt as a very great hardship if they had to tax three times over—first for local purposes, then for provincial purposes, and lastly for imperial purposes. It is best to remit the house cess altogether, and to levy one tax only on trades and industries. The loss to district road committees will be comparatively trivial, and will, if necessary, be recouped to them, and the provincial finances will probably not suffer at all in the end.

The Local Government is well aware that, in proposing to levy a direct tax of this kind upon upwards of a million of people, it is undertaking a task of great magnitude. But the circumstances of the country render the levy of this amount of taxation imperative, and I believe the necessary amount could not be raised in any less objectionable manner.

I have heard with great satisfaction the announcement that it is the intention of the Government of India to take measures to equalize to some extent the duties on salt throughout India, and though I should not have advocated in itself a decrease in the salt duty levied in Bengal, which is a very popular form of taxation, I am glad that the measure of equalization should have resulted in a diminution of the rate of duty in Bengal, at a time when we are imposing such a heavy burthen on the people in other respects, though I cannot help feeling that it is a sacrifice of revenue in concession to theory which would afford no real relief to the people.

III.

SPEECH BY

HIS EXCELLENCY LORD LYTTON,

Viceroy and Governor-General of India.

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I AM reluctant to prolong the proceedings of the Council at this comparatively late hour; but the general importance of those explanations with which I desire to accompany the questions now before me, will, I trust, be my sufficient justification for making a further appeal to the attention of honourable members.

After the statements made to-day by my honourable colleague, Sir John Strachey, and my honourable friend, the Lieutenant-Governor of Bengal, I need not now refer in any detail to the principal measures which the Government of India, reviewing all the present circumstances and prospects of the Empire, has deemed necessary for giving to our financial position the additional strength it undoubtedly requires. But I desire to explain how we propose to employ the money now asked for, and also to add emphasis to the statements of my honourable colleague as to the fundamental idea which underlies the present financial policy of the Government. Guided by this idea, we are resolved to seek the support we require through an extension of the responsibilities and resources of the local Governments rather than from any mere addition to the machinery or

revenues of the central authority. We are convinced that the coherent development of this multiform Empire can only be secured by gradually enlarging those local foundations which sustain the widespread fabric of the State, and stimulating throughout all parts of its complex administrative structure the free play of a healthy spirit of self-reliance and mutual support.

For this reason, the Government of India is determined not to deviate from the course on which it entered at the commencement of the present financial year. That course has been cordially encouraged by Her Majesty's Government; and we have the best reason to believe that it has approved itself to all the local Governments whose intelligent co-operation ensures the successful prosecution of it. The statement made by Sir John Strachey will, I trust, have satisfied the Council that the additional revenue now required by the Government, and the increased burdens which must consequently be borne by the people, of India, are the inevitable consequences of famine, and of famine only. I will not abuse your sympathies by harrowing your feelings with any description of the ghastly scenes I have witnessed this year in Southern India; scenes which, horrible as they were, only partially revealed the mass of unseen, unuttered misery that lay behind them. I feel sure you will believe that no such sights were needed to impress me, and I am equally confident that no such descriptions are needed to impress this Council, with a profound sense of the paramount obligation now resting on us all to spare no effort for preventing the recurrence, or mitigating the effects, of such calamities. But of one thing I am convinced,—our efforts must fail if they be merely the uneducated offspring of casual impulse and indefinite sentiment. The primary condition of successful effort is the strictly systematic subordination of it in all directions, and in all details, to the verified results of experience, and the carefully ascertained

conditions of what is practically possible. It is not by the indulgence of that morbid sensibility to the dramatic elements of horror which so unconsciously simulates compassion, it is not even by exclamatory utterances of a generous impatience, or a genuine grief, under the painful contemplation of the sufferings of our fellow-creatures, that we can practically prevent or alleviate such national calamities as those through which Southern India has been passing during the last two years. We might as reasonably hope to solve the hideous problem of London pauperism by bestowing pence on street beggars, or pathetically depicting their raggedness in our illustrated journals for the encouragement of promiscuous almsgiving. I am profoundly persuaded that every rupee superfluously spent on famine relief only aggravates the evil effects of famine, and that in all such cases waste of money involves waste of life.

The measures now before the Council have for their principal object the provision of that increase of the public income which experience has proved to be the first condition of any practical insurance against famine; and, therefore, it is only proper that the Council should know how we intend to employ the resources which its adoption of these measures will place at our disposal for that purpose.

The tasks bequeathed to the Government of India by the calamitous circumstances of the last two years have now, I am thankful to say, more direct reference to the future than to the immediate present. They are not, on that account, less imperative or less seriously recognized: but their comparatively prospective character is a fact which I cannot record without a deep sense of gratitude; gratitude to Providence for the reviving fertility of districts recently stricken barren by a prolonged and quite unprecedented disturbance of the atmospheric conditions to which they are subject; gratitude to those valuable public servants in, and from, all parts of this Empire, to whose devoted and inde-

fatigable exertions the people of Southern India is indebted for the restriction and abbreviation of a terrible calamity; and gratitude, no less sincere, to the generous charity of the British nation, which has, I truly believe, materially contributed—not, indeed, to the preservation of life (for to that object it was not applied, and for that object it could not have been legitimately invoked)—but to the mitigation of much of the suffering and distress which such a calamity must inevitably bequeath to its impoverished survivors.

Now, turning to the contemplation of the future, our first duty must be, I fear, to recognise and face, with all its consequences, the sad but certain fact that, in the present social condition of India, famines cannot, for many years (I might almost say for many generations) to come, be entirely prevented. The population of this country is still almost wholly dependent upon agriculture. It is a population which, in some parts of India, under those securities for life which are the general consequence of British rule, has a tendency to increase more rapidly than the food it raises from the soil. It is a population whose consumption, in many places, trenches too closely on the crops already provided by its industry; and which, therefore, runs great risk of having no accumulated produce to depend upon, whenever the earth has failed "to bring forth her fruits in due season." A people permanently living under such conditions,—a people, that is to say, whose entire labour provides only just food enough for its own annual sustenance,—is, it must be confessed, a people removed only a few degrees from a state of barbarism. Until the accumulated fruits of industry exceed the current requirements of the population for its own subsistence, there can be no growth in the wealth of the community; and until the national wealth,—that is to say, the exchangeable surplus produce of the country,—has been increased up to a certain standard, there can be no adequate security against famine. To the attainment of

this object, therefore, all our efforts, in every department of the administration, must be constantly directed. But, at the same time, it must also be always borne in mind that, until this object has been attained, no exertions and no expenditure on the part of the State can practically do more than provide for the restriction and mitigation of periodical scarcity. It is not yet in the power of human science to foresee, still less to control, the uncertainty of the seasons; and this uncertainty, which is so constant and violent in India, must always afflict with exceptional severity any population that is habitually living from hand to mouth. For, in that case, when the hand fails to raise a crop, there is nothing left for it to carry to the mouth. Fortunately, however, the material appliances which already exist, and only need to be prudently developed, in order to provide us with an effectual insurance against the worst consequences of famine, are also those which, if rightly employed, will most rapidly promote that general increase of the national wealth on which alone we can reckon for the permanent prevention of famine.

Now, of the countless suggestions made from time to time, and more especially during the present year, for rendering less bitterly ironical than it still seems, when read by the sinister light of recent events, that famous inscription on the huge granary built at Patna for "*the perpetual prevention of famine in these provinces*," there are only three which merit serious consideration. These are, *firstly*, EMIGRATION; *secondly*, RAILWAYS; and, *thirdly*, IRRIGATION WORKS. Unfortunately for India, however, the first of these three material factors in the practical solution of problems similar to those we are now dealing with, is inapplicable, or only very imperfectly applicable, to the actual conditions of this country. The first condition requisite to render emigration available as a precaution against famine, is a normal excess of the population as compared with the food-produce of the

country; the second condition is sufficient energy on the part of the surplus population to induce it to seek a higher standard of material comfort than that to which it is accustomed; and the third condition is a foreign field of labour in which this higher standard may be reached. Now, none of these conditions is sufficiently developed in India to justify reliance upon emigration as an efficient auxiliary in our struggles with famine. Of our whole population, only a small portion as yet exceeds its food-producing power. The possible increase of this proportion of the population will undoubtedly augment our future difficulties, if, in the meanwhile, no adequate correctives be applied to them. But in those parts of India which, during the last two years, have most suffered from scarcity, the population only averages 250 inhabitants to every square mile; and, since those districts comprise large areas of uncultivated land, this average cannot be regarded as at all excessive. In the next place, there is no contesting the fact that, in spite of the inducements offered to emigration by this Government, in spite of the widespread organisation for the recruitment of it established by Colonial Governments, and in spite of the encouraging example furnished by that small number who, having tried the experiment of temporary emigration, return, after a few years' absence, in possession of savings which they could not otherwise have stored by the labour of a lifetime, —in spite of all these things, the people of India *will not* emigrate. The uncomplaining patience of the Indian ryot has a profoundly pathetic claim upon our compassionate admiration. In no country of the western world could a national calamity so severe and prolonged as that which has now for more than twenty-four months afflicted one-half of this Empire, have lasted so long without provoking from the sufferings of an ignorant and starving population agrarian and social disturbances of the most formidable character. But for this very reason we cannot safely frame any plans

for improving the condition of the Indian ryot in exclusive reliance on his spirit of adventure. And, although the exportation to foreign countries of large numbers of the people, without reference to their feelings, and in opposition to their known inclination, is a policy which might possibly have been enforced by a Mogul Emperor, it is certainly not a policy which can be adopted by a British Government. It is a very significant fact that those of our native subjects who do occasionally emigrate belong to the least, rather than the most, densely populated parts of the country. Finally, it must be borne in mind that, if to-morrow all the native races of Hindustan were animated by a simultaneous impulse to emigrate, there is, at present, no field of foreign labour capable of absorbing a proportion of the enormous population of this continent sufficiently large to make any appreciable difference in the general condition of the remainder. Our Colonies take from India annually a few thousand labourers. Multiply that number by ten, or even twenty, and the percentage of Indian emigration would still bear but an insignificant relation to the number of the whole non-emigrant community. For all these reasons, although emigration unquestionably claims our fostering encouragement, I fear that, for many years to come, we must practically exclude this expedient from the list of those on which we mainly rely as a means of ensuring the population of India against the calamities of periodical famine. The conclusion thus arrived at forcibly confines our immediate efforts to the most rapid development, by the cheapest methods, combined with the most appropriate and efficient application, of the only two remaining instruments for increasing the produce of the soil, facilitating its circulation, and thereby improving the general social condition, and augmenting the collective wealth, of the whole community. Those instruments are railroads and irrigation works.

Now, the incalculable value to India of her present railways

has been unmistakably demonstrated during the past year; and the Government is unquestionably bound to stimulate the extension of this class of works to the greatest extent, and with the greatest rapidity, consistent with the requirements of financial prudence. The capital expenditure on the guaranteed railways, during a period of 28 years, has amounted to not far from 95 millions sterling, with a result to be measured by about 6,000 miles of broad-gauge line. During the last nine years the outlay on State railways has amounted to about 18½ millions, producing 1,050 miles of broad, and 1,200 miles of narrow gauge line, more or less finished. I need not here reopen the once-vexed question of broad *versus* narrow gauge. For all practical purposes that question has long ago been settled. Had we now to consider the construction of long lines of rail solely, or chiefly, for military purposes, I doubt not that many arguments might be forcibly urged in favour of a broad-gauge system. But when the object in view is to stimulate the exchange of commodities, and provide for a goods traffic with special reference to local needs and local means, then, I think, it cannot possibly be doubted that any extension of our railway system must be carried out in strict conformity with that method which experience has proved to be the cheapest, and indeed the only one financially possible in the circumstances of a poor country with a languid commerce. The importance of strategic railroads to such an empire as this, is not, in my opinion, open to question. But it is not for the construction of strategic railroads that we are now seeking assistance from the local populations and Governments of India.

In the course of future discussion upon the Bills we hope to introduce to-day, my honourable colleague in charge of the Public Works Department will, I trust, have an opportunity of making a departmental statement; and, I doubt not, he will then be able to lay before the Council much valuable and suggestive information as to the action of his

department in connection with relief operations. But with all questions appertaining to the employment of public works for the prevention or relief of famine, I am only now concerned to deal from a financial point of view; and no further than may be necessary for the explanation of those financial conditions which must invariably govern the permanent famine policy of this administration.

Now, it is an unquestionable fact that the railways, and the railways alone, were the salvation of the situation in North Behar during the famine of 1874; and that they have again been the salvation of the situation in Madras during the famine of the present year. The sea, no doubt, would have thrown rice into the town of Madras; but, with the cattle dying of drought, it would have been impossible to move the grain up-country; nor, if every possible mile of navigable canal had been completed throughout the Madras Presidency, would it have greatly helped us to throw grain into those very districts where the famine has been at its worst; for the broken upland country of Bellary and Kurnool, and the Mysore plateau, are physically impracticable for big canals; and had there been no railway within reach of these districts, the people, where they have now died by hundreds, must have assuredly succumbed by thousands.

I am satisfied that the development of a network of subsidiary lines of railway, giving the means of transport through every district of British India, has become a matter of vital necessity for the attainment of the great object now before us. To accomplish this, in accordance with the financial and administrative policy already explained, we propose to call upon the various Provincial Governments to undertake at once the preparation of such a scheme of local railways, with plans for their gradual and systematic execution, carefully made out by the best-informed local authorities. Our present object is to render available, within the shortest possible time, a maximum length of line specially constructed for a slow

goods traffic, rather than to provide those more ample conveniences for passengers and goods which have been commonly deemed necessary for all Indian railways hitherto constructed. We have every reason to believe that, by restricting the works at the outset to the essential requirements of a slow goods traffic, we can, without any sacrifice of durability, or sound constructive principle, reduce the first capital outlay even below the amount which was found sufficient for the execution of the Hatrass and Muttra Railway in the North-Western Provinces—a line which furnishes us with a most instructive illustration of what may be done, under a local Government, in the way of thoroughly useful work executed at a small cost. We have also in the United States of North America an encouraging example of the rapidity and financial ease with which cheap railroads may be constructed over vast tracts of sparsely populated territory, and of the incalculable benefits conferred by them on every part of a continent even more spacious in extent and various in climate than our own.

During my visit to Madras and Mysore, I had many opportunities of obtaining information about the distribution of grain into the distressed provinces. I cannot doubt that but for the main trunk lines of railway there must have been an appalling, and quite irremediable, failure in the supply of food to those provinces; and, for all purposes of famine relief, I am equally convinced that the proved utility of these great arterial lines will be immensely increased by the cheap internal railroads we now propose to commence, with the intention of completing them as rapidly as may be compatible with the extent of the financial resources at our disposal for that undertaking.

The early conclusion of such an undertaking must necessarily depend upon its financial practicability; and for this reason all minor considerations must be subordinated to the most rigid economy in construction, and the most severe

limitation of the works to what is indispensable for the efficient exercise of their special function. But if these conditions be duly complied with, I have confidence that, at a comparatively early period, we shall, without any strain upon our financial resources, have extended to all parts and provinces of our Empire the most efficacious protection, not indeed from dearth (for that is impossible), but from those terrible effects of dearth which now generally terminate in famine.

These, then, are the principles on which we are prepared to apply at once to the extension of our railway system, as a means of insurance against famine, an adequate proportion of the resources at our command for that purpose. We cannot, indeed, solely for the sake of developing local commerce, undertake to build railroads on the commodious and costly scale of our present main lines, which have been constructed with a view to their general utility in many other ways. But with the active co-operation of the local Governments, and by steadily adhering to, and prudently developing, the great principle of provincial responsibility which is the backbone of our financial policy, we are persuaded that the resources of the State will now be sufficient for the early and continuous construction of a wide network of cheap provincial lines well adapted to the special object for which they are required. It remains to explain to the Council the manner in which we propose to apply to the extension of irrigation works precisely the same principles and policy.

Here I must observe that there has recently been a tendency to discuss, in a somewhat partisan spirit, the relative usefulness of irrigation works and railways as protections against famine. I deprecate all such controversial discussions. They are no less out of place than arguments as to the relative value of food and air, for the preservation of animal life.

It is certain that throughout the greater part of India the

produce of the soil may still be very considerably increased by artificial irrigation. But it is equally certain that in many parts of India, and for many kinds of Indian crops, irrigation could only be employed at a cost which would render it unremunerative. Canal irrigation cannot everywhere be supplied from permanent sources; and wherever it is not supplied from permanent sources, it frequently proves altogether abortive as a preventive against famine. Again, in the second year of the drought from which we have been suffering throughout Southern India, tank irrigation generally failed. Moreover, even were it physically possible to apply irrigation to all the cheap millet crops now grown upon the uplands of Madras, the expense of their cultivation by that means would render them quite unpurchasable by the classes who at present derive from them their chief means of subsistence. The difficulties and disasters of the recent famine have been greatest in Madras. But Madras is, taken as a whole, the best irrigated part of India. Out of a total area of 22,000,000 acres under cultivation, that Presidency has some 4,000,000 acres artificially irrigated; and its entire irrigation system is supervised by professional officers who, in their own line, are unsurpassed. One part of the irrigation system of Madras is supplied by the permanent rivers; and of these the number is limited. All the rest of it is derived from the local rivers and storage tanks which are scattered in profusion over the whole Presidency. Now, the experience of the present year has proved that the latter source of supply is only one degree less dependent on the normal rainfall than are the dry crops of the unirrigated districts. If, therefore, we are to ensure Madras against future famines by largely increasing its present water-supply, it is exclusively upon the permanent rivers that we must reckon for our attainment of that object. Assume (and from all the inquiries I have yet been able to make this is the most I feel justified in assuming) that the waters of the permanent rivers might be so employed

as to irrigate another half million of acres: what effect would the produce of half a million of acres have had towards preventing the famine in Madras? It would not represent one-third of what the railways alone have carried down from Northern India, and it is about equal to what was landed by sea during only two and a half months out of the twelve through which this famine has lasted. So far, then, as it was possible to render irrigation a protection against famine in a second year of drought, Madras has received, within a narrow margin of some 20 per cent., all the benefit which the nature of the case and circumstances of the country permitted, and yet Madras has this year suffered from a worse famine than has afflicted any province of India during the present century. In view of such facts as these, we cannot safely lay down any fixed rule for universal application. The problem of irrigation works, when closely examined, reveals fresh difficulties at every stage. It is easy for those who have not thoroughly examined it, or others who have examined it only from a purely professional point of view, to tell us that by the expenditure of a few millions we might permanently ensure this vast Empire against famine. But the Government of India, which is responsible for every rupee of public money raised or spent by it, has been taught by bitter experience that there may be many promising and attractive projects for irrigation which, when carried out at considerable expense, and under the most accredited supervision, bequeath to the Empire little or nothing but a hopeless financial burden. India has good reason to be proud of her school of hydraulic engineers. But it is the tendency of all professional ability to somewhat exaggerate the general value of the special material in which it works. The Athenian tanner believed that, for the purpose of fortifications, there was nothing like leather; and, so far as I can judge, some of our most experienced and eminent canal engineers are not entirely free from an unconscious predisposition to assume

that, instead of irrigation existing for the sake of cultivators, cultivators exist for the sake of irrigation. Whether the value of increased produce will, in any particular case, be sufficient to justify the requisite outlay of capital on providing irrigation; whether the necessarily limited amount of capital available for works of improvement is best applied to irrigation works; or, again, whether the physical conditions of the locality will practically admit of irrigation at all,—to these and many similar questions no general answer can be given. Each case must be decided in reference to its own merits, and on a careful review of many conflicting considerations.

But, though I feel that, for all these reasons, we must be constantly on our guard against premature generalisations and impulsive action in such matters, I am none the less most fully persuaded that, next to the facilitation of transport, our greatest safeguard against future famine will be found in a well considered and widely developed system of irrigation works. The surplus produce of industry is the foundation of national wealth; and irrigation is the most certain means of improving and extending agricultural industry. It enables the cultivator to accumulate produce; and, if combined with navigation, it also enables him to transport produce.

Every country which produces only just enough for its own consumption is a poor country. So is every country which cannot export its surplus produce, and exchange it for other commodities. Therefore, admitting even that in many parts of India irrigation cannot appreciably augment the local food-supply, it by no means follows that irrigation cannot largely augment the wealth of the whole community: for if this Empire be adequately provided with the means of transport, it is not so much by increasing the actual food-supply of the people as by helping to create other and different produce, not required for the consumption of the people, and possibly not even adapted for such consumption, that extensive irrigation will promote the social and financial

prosperity of India. It is only by the gradual and continued improvement of their material condition that the people of this country can permanently escape the calamities they now suffer from the uncertainty of the seasons.

To look to irrigation works as a panacea for our misfortunes, would be to trust to an illusion; to hesitate to recognize them as among the most certain of our means of protection, would be to reject the irrefutable evidence of prolonged experience.

A memorandum has been placed in my hands showing, from the latest returns of the actual operation of the irrigation works in the North-Western Provinces, that the whole area now irrigated by them is about 1,500,000 acres; which, under pressure, might be extended to 1,600,000 acres, producing respectively 775,000 or 800,000 tons of grain, and providing food for eight months for six million to six and a half million persons. The progress of these works will add half a million of acres; and this addition would yield one-quarter of a million tons of food, and feed for eight months two millions of people. Thus, these works will secure the food for the period named, of between eight and nine million of persons.

I need not comment on these figures; but while such results may be shown as the outcome of irrigation works, what, let me ask, would be the position of a province in which the produce, being considerably in excess of the ordinary wants of the people, was not provided with the means of exporting its surplus stock? Of one great staple product of the north of India—wheat—it may be affirmed, with certainty, that a trade has been developed, during the last four or five years, chiefly through the agency of railways, which has already reached a value of two million sterling, and which could never have come into existence by any other means. Without depreciating the great value of water communication, which I recognize most fully, so far as it is practically attainable, I cannot lose sight of the fact that the extension of the Electric

Telegraph, and of Steam Navigation, have rendered the operations of modern trade more than ever dependent on time, as an essential element in all combinations; and thus the speed which can only be got by railways, enters, more and more largely into the considerations to be weighed in designing means for giving the necessary extension and improvement to our inland communications.

I conclude, then, that we shall be certainly right in carrying out irrigation works wherever the water-supply is both sufficient and constant; and wherever the material difficulties to be overcome do not involve an outlay that interposes insurmountable financial obstacles; so long, of course, as due attention be, at the same time, given to the means of communication. But we cannot, and do not, undertake to provide irrigation gratuitously to those for whose special benefit it is required. We cannot afford to apply to new irrigation works the financial policy which has hitherto rendered so costly, and so unremunerative, the works of that kind which are already constructed. Here, again, we can only proceed in strict accordance with the principle of provincial responsibility and self-support. As the only funds at the command of the Government for irrigation works are derived from the country itself, the cost of such works must fall to a great extent upon those who derive from them immediate benefit. I repeat that it is on the co-operation of the whole community we reckon for the means of securing the whole community against the worst consequences of periodical sca city. But it is to the local Governments that we look for the execution of local works of a preventive character; and it is upon local resources that we must depend for the ultimate supply of the funds necessary to provide and maintain such works. I am aware that there are already some parts of India whose exclusively local interests are practically secured by the bounty of nature, or the industry of man, from the direct effects of famine. In the nature of things the population of those particular

localities may, and probably do, derive some immediate advantage from the periods of scarcity which so fearfully afflict their fellow-subjects in other provinces. But it would be an insult to suppose that their fortunate exemption from the perils and sufferings common to the rest of the community, can furnish any argument they would stoop to urge, in favour of exempting them from their fair participation in the support of any general burden imposed for the protection of the whole community from such sufferings and perils. Whilst, therefore, I do not doubt that the chief cost of protective works ought to be borne by those who must need them, and will chiefly benefit by them, I must maintain that no province of the Empire, and no class of the community, can be legitimately relieved of the national obligation to contribute to the means required for the construction of such works.

And here I would ask the Council to listen to the testimony of my honourable friend the Lieutenant-Governor of Bengal, who, speaking of the measures he contemplated last spring for dealing with irrigation works in the province he so ably administers, observed that—

> During the last five years the Government of India has spent nearly 20 crores of rupees in alleviating famines caused by deficient water-supply. When I say that the Government of India has spent this money, you will understand that this expenditure has fallen, not upon the Viceroy and the Council, but upon the people; and that, if the necessity of expending their money had not been forced upon the Government, the taxation of the people would have been diminished to this extent. Now, the only way of averting famines arising from drought is to make the greatest use, which science and experience can suggest, of the supply of water which fortunately nature has given us in Behar. . . . . This, of course, cannot be done without the expenditure of money; and the question is who, in fairness and justice, should find this money.
>
> After very careful consideration, I come to the conclusion that as the whole of the province of Bengal suffered when there were such famines as have occurred of late years in Orissa and Behar, it was fair that a large proportion of the cost should be borne by a tax laid upon the

public at large. But it also seemed to me fair, and I believe you will agree with me if you will give the subject your unprejudiced consideration, that a share of the cost should fall on the people who directly benefit by the introduction of water to the neighbourhood of their fields, and are thus assured of a good crop at all seasons, instead of being exposed to the risk every few years of absolute failure. When I proposed this, I was told that the people did not want water; that they would sooner be left alone to bear the risk of famine; and was even told that the water of the Sone was destructive to fields. Shortly after this discussion took place, the periodical rains were suspended, and then we had practical proof as to whether or not the Sone water was considered injurious or prejudicial. The people clamoured for water, and to meet this demand we were forced to open our unfinished canals, by means of which we have irrigated, during the last few months, 200,000 acres of land, which would otherwise have remained waste for the year, but which are now covered with luxuriant crops. The produce of this land represents food-grain of the value of 55 lakhs of rupees, and of this, crops to the value of 40 lakhs certainly would have been entirely lost if it had not been for the supply of canal water; but it also represents the rent of the land, of which the landholder would have been otherwise deprived; and to this must be added the outlay which would fall on him if he had again to give relief to his tenantry in consequence of famine.

To sum up, then: the Government of India is convinced, upon a careful review of its financial position and prospects, that the heavy obligations imposed upon it by the calamitous circumstances of recent years, can only be discharged, without serious risk to its financial stability, by a strict and patient adherence to the principle affirmed in the financial measures we introduced last year, and developed in those which are now before the Council. That principle involves the enlargement, with adequate precautions, of the financial, and consequently also of the administrative, powers and responsibilities of the local Governments. In the next place, we believe that, if this principle be fairly carried into effect, the new imposts, which the Council is now asked to sanction, will, when added to the resources already created, provide the State with sufficient means for the permanent maintenance of a national insurance against famine, without heavily

increasing the pecuniary burdens of its subjects. For the attainment of this object, the material appliances we intend to promote, by means of additional revenue, are cheap railroads and extended irrigation works. We are conscious of the reproach we should justly incur if, after such a declaration as I have now made, the prosecution of these necessary works was commenced, suspended, or relinquished according to the increased or relaxed pressure of annual circumstance, or the intermittent activity of spasmodic effort. We therefore propose to entrust, in the first instance, to the local Governments the duty of framing a sufficient and carefully considered scheme of local railroad and irrigation works. We are prepared to provide them with the means whereby they may from year to year work systematically forwards and upwards to the completion of such a scheme. The funds raised for this purpose will be locally applied. But provincial Governments will have to meet the cost of provincial famines out of provincial funds to the fullest extent those funds can bear. They will find that thriftless expenditure in one year may involve the risk of diminished allotments in subsequent years; and I cannot doubt that the unavoidable recognition of this fact will make them wisely eager to spend the requisite proportion of their annual income upon well-planned and carefully estimated railway and irrigation works, which will be their best insurance against the losses of famine, and the postponement of all administrative progress which famine generally entails. It will be the special duty of the Public Works Department of the Government to keep those objects constantly in view of the local Governments, and to assist them, no less constantly, in their endeavours to give a rational preference to really useful and remunerative works, over those more captivating, but less compensating, subjects of expenditure which, in all comparatively small communities, so powerfully appeal to provincial pride, professional proclivities, or popular pleasure.

The specific projects now announced to this Council, I have not presumed to put forward as the enunciation of any new policy. On the contrary, I should have spoken with much more hesitation if I imagined myself to be treading upon ground not long since surveyed by experienced authorities; and the strongest recommendation I can claim for the views I have expressed is that they differ in no important particular from those of the eminent statesmen who have preceded me in the office I now hold. But between the present and all previous occasions on which the Government of India has declared its policy and principles in reference to the prevention of famine, there is one essential difference which I am anxious to impress upon your attention. I can well imagine that many of those I am now addressing may be disposed to say to me—"Your good intentions are possibly sincere; but the path to the nethermost pit is already paved with good intentions. Promise is a good dog, but Performance is a better: we have often heard the bow-wow of the first; we have yet to see the tail of the second. We have been told over and over again by the highest authorities that India is to be insured against famine in this way or in that; but when famines come upon us, we find that the promised way is still wanting. The current claims upon the activities and resources of the Government of India are so numerous, so pressing, so important, official forces and imperial funds so necessarily limited, that when once the daily, hourly strain of a great famine has been removed from a wearied administration and impoverished treasury, its fearful warnings are soon forgotten; its disquieting ghosts are quickly exorcised by the conventional declaration of some unexceptionable principle; its bitter memories decently interred beneath the dull *hic jacet* of a blue book; and there, for all practical purposes, is an end of the matter."

Well, then, I think I am entitled to point out to the Council that we are not now fairly open to this customary criticism.

We do not speak without having acted; and we promise nothing which we have not, after long and anxious consideration, provided ourselves with the means of performing. I must have very imperfectly explained myself thus far, if I have failed to make it clearly understood that I am not now speaking of what we ought to do, or would do, to ensure this country against the worst effects of future famine, had we only the means of doing it; but of what we can do, and will do, with the means already provided for in the measures now before the Council. I do not mean to say that the construction of such an extensive system of local railroads and irrigation works as we propose to undertake will not be the gradual task of many years. But I *do* mean to say that, in the manner and on the principles already explained, we are now providing for the prompt commencement, and uninterrupted continuation, of this great and necessary task. We are systematising a policy the principles of which have been repeatedly approved and proclaimed by our predecessors. We are associating with it the interests, the powers, and the duties of our local administrations. We are providing them with the means of permanently prosecuting and developing it, not without reference to our financial control, but exempt from the distressing uncertainty which has hitherto been inseparable from the practical execution of this policy, in consequence of the obligation which till now has rested on the Government of India, with the very limited funds at its disposal for the prosecution of public works, to choose, from year to year, between the conflicting claims upon its purse of the various and dissimilar localities of this spacious Empire. In that belief I wish to take the present opportunity of publicly expressing my gratitude to those local Governments with which we have been for many months in confidential correspondence on the subject of their financial powers and responsibilities; and who have not only accepted with alacrity, and adopted with great intelligence, the principles in accord-

ance with which we desire to extend those powers and responsibilities, but have also given us the most encouraging evidence of their ability to improve the enlarged field of activity thus opened to their administrative independence. I also desire to express my gratitude for the unreserved approval with which the Secretary of State for India and the Queen's Government in England have honoured and supported the policy I am now explaining to the Council; for it is a policy on which all our plans, and all our hopes, for steady improvement in the financial, social, and administrative condition of this Empire are necessarily dependent.

But we have also another source of encouragement in the prosecution of this policy. If you look back over a wider and a longer tract of experience than that which is covered by the history of India, if you embrace in one view our own history with the past history of other countries in other climates, you will find that the principles on which we have lately acted, and on which I trust we shall continue to act, in dealing with seasons of calamitous drought, have been found no less applicable, no less efficient, in other countries similarly affected, than they have proved to be in this country, wherever they have been intelligently understood and loyally carried out. There is, I venture to think, no more striking illustration of this truth than the history of the scarcity that occurred in Central France during the year 1770-71. That great statesman, M. Turgot, was then Minister. His administrative ability was equalled by his philosophical power of thought; and, fighting with difficulties in many respects almost identical with those which we ourselves have lately had to deal with,—difficulties partly material, but greatly aggravated by the prevalence of extremely erroneous economical conception,—Turgot conceived, developed, and, in the face of great opposition, carried into effect, views no less identical with those which have guided our own action, as to the essential importance of guarding the perfect freedom of

inland trade in grain, of improving the internal communications of the country, and of providing relief-works of permanent utility upon which to employ the suffering population. Here, to-day, in India, those views are as sound, and as applicable, as they were in the Limousin a century ago. If, then, from the past we look forward into the future, why, let me ask, may we not hope that, under improved conditions of administration, and with increased development of those material appliances which civilization creates for the provision of national wealth, India will eventually enjoy as complete an immunity from the worst results of scarcity as that which now exists throughout those regions of France where but a century ago such a result might have seemed as difficult of attainment as it now appears to be in many of our own provinces?

I have dwelt thus far on that part of our policy only which has reference to the material aids we still require to ensure this Empire against the worst effects of famine. But I should omit a very important point, if I did not also allude to the administrative aspect of the question. In dealing with the crisis through which India has lately passed, it has required the most strenuous efforts on the part of the Civil Government in all its branches, not only to secure the active operation of all available means for bringing food to the distressed districts, but also to effect the distribution of such food to the people, under proper precautions for the prevention of waste, fraud, and social demoralisation. I will not disguise my conviction that, in some parts of the country, this strain has been too much for the machinery that had to bear it; and indeed, I may add, that the measures undoubtedly necessary for strengthening, simplifying, and generally *energizing* those parts of the local machinery of Indian administration which have proved too cumbrous, too weak, or too inert for efficient work in any great emergency, have been to me for many months the subject of constant, anxious, and detailed con-

sideration. It is, I venture to think, very desirable that not only the natural phenomena and social facts of the recent famine, but also the manner in which these have been dealt with in different provinces, under different administrative systems, and the practical results thereof, should be investigated, verified, and recorded for future guidance. But whatever be the result of any such inquiry, if to the two conditions of famine ensurance on which I have already laid such stress, that is to say, *railways* and *irrigation*, you add a third condition, which is certainly not less important,—viz., a thoroughly efficient administrative system and machinery, in every part of the Empire, for the prompt and intelligent application of sound principles,—then, I believe, you will have reached the limits of what is practically possible, and defined the field of activity within which it is now the duty of this Government to fortify betimes the social interests committed to its charge against the recurrent disturbance of natural forces. The Government of India is an eminently conservative Government, and I trust that it will ever continue to be so; but to repeat an aphorism, the soundness of which is proved by the staleness of it, improvements really required by change of circumstances are the best foundation for a conservative policy, and in no way opposed to it. No administration is really conservative, unless its policy be vigilantly, though cautiously, remedial. Timely remedy from above is the only sure preventive of violent revolution from below. Destiny is a fair player, and never checkmates a nation, a government, or a class, without first crying check. It is the interest, as well as the duty, of those concerned to heed that warning cry, and shift their pieces accordingly. In politics, as in all things else, the survival of the fittest is an inexorable law; and those institutions which cannot, or will not, spontaneously adapt themselves to the organic growth of the circumstances to which their functions were originally fitted, are doomed, by the salutary order of the universe, to

premature extinction. But into this important question of administrative reform I need not here enter any further. I merely desire to assure the Council and the public that the Government of India is not indifferent to that part of the difficult, but imperative, task bequeathed to it by the prolific experience of the last two years.

In framing the measures now laid before the Council, we have called to our assistance the experience and intelligence of many of the most trustworthy servants of the Crown in this country; and we have obtained for our plans the general approval of Her Majesty's Government. That the duty imposed on us in performing this task has been an anxious one, I need hardly say. Its successful accomplishment is only to be ensured by the cordial and sympathic co-operation of all concerned. But on that co-operation I confidently reckon: *firstly*, because it is the duty, as well as the interest, of every Englishman, whether in public or in private life, to facilitate the arduous task which England has undertaken on behalf of India and her own character; and, *secondly*, because I know too well, and esteem too highly, the noble native races of this land to doubt for a moment their patriotic acquiescence in any reasonable sacrifice fairly demanded of them, on honest grounds, for the general benefit of their own countrymen. On behalf of the Government of India, I emphatically declare that we have not, we cannot have, at heart any stronger or higher interests than the permanent welfare of this loyal and patient people, and the permanent credit of its English rulers. These are the interests on behalf of which we now invite your aid, and *quid salvum est si Roma perit?*

Hazell, Watson, and Viney, Printers, London and Aylesbury.

INDIAN FINANCE DEFENDED

A REFUTATION OF THE OPINION, TOO GENERALLY HELD,

THAT BRITISH INDIA IS OVERBURDENED

WITH DEBT AND TAXATION.

27040

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C. KEGAN PAUL & CO., 1 PATERNOSTER SQUARE.
1878.

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Royal Asiatic Society.
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PREFACE.

The author, an Indian officer of some experience, writes this pamphlet in his capacity as a private individual, without the knowledge of other officers of the Government, and without making use of any information which is not published by the Government and available to all. It is written solely in the interest of truth.

So many men of high intellect and character have been so incorrect in their opinions on the important subject of Indian Finance, that some effort to prevent future error, by placing the facts clearly before them, appeared not only justifiable but necessary.

LONDON: *March* 1, 1878.

INDIAN FINANCE DEFENDED.

It is too commonly believed and said that British rule in India has over-burdened that country with debt and taxation. I do not doubt that the belief is sincerely held, but I am sure that it is held on insufficient grounds, and I propose to refute it.

The facts of the case, in sufficient detail for the purpose in view, are obtainable in the accounts published annually in two Parliamentary Blue Books, called the "East India Finance and Revenue Accounts" and the "East India Home Accounts." The following arguments are based upon the statistics contained in those books for the year ending March 31, 1876; no later information being yet published. In the tabular statements which follow, the word "Finance," in the column "Information whence obtained," means the former, and the word "Home," in the same column, means the latter of those books. Any reader who wishes to check my figures can do so by referring to those books as he goes on.

The subject naturally divides itself into two sections—Debt and Taxation. I shall first state the facts as regards the debt, and then take up the question of taxation.

Public Debt of India.

I am prepared to prove that, of the 131 millions shown in published statistics as the Public Debt of India,[1] only £26,179,672 can be considered as a net liability. The remainder is covered by—

Amount of its own securities held by the Government	£5,903,040
Cash balance in hand	17,872,534
Bank shares held by the Government .	461,875
Loans by Government to Municipalities and others, mostly bearing interest	7,226,176
Reproductive investments in railways, irrigation, telegraphs, salt, and opium	75,895,878
	£107,359,503

Proof of this will be found in the annexed statements marked A and B. The actual amount of reproductive investment has, however, been larger than that shown in Statement B, as I have not been able to ascertain and include—

The cost of the buildings and plant of the Government opium manufacture, or

The cost of the land occupied by guaranteed railways in India, the whole of which was purchased by Government for the purpose.

These two additional items would represent some millions more, invested in directly remunerative undertakings. It may therefore fairly be said that the net liability of the Government is under 23 millions.

[1] Even after adding about three millions more for debt not bearing interest.

This, then, and no more, is the net burden which the British Government of India has placed upon that country. But, on the other hand, the British Government has, besides its investments in reproductive works, accumulated an enormous fixed capital for the use of future generations. It has stocked the land with the means and appliances of civilised administration and defence.

The debt account of the Government of India appears divisible into two very different portions; one, which is the National Debt of the country, arising out of regular public loans or of transactions which must be met from the ordinary revenue of the State; and another, which may fitly be described as a banking account, being of moneys held in trust by the Government, as a matter apart from the revenue or expenditure of the State. Each of these portions will, on examination, be found to have two sides. The Public Debt account has a credit side, for the State holds a large amount of its own securities, and holds also a large cash balance, which is an unmistakable asset balancing over 13 millions of its debt, even after providing for the net liabilities in the banking account. And in the banking account, the State not only holds deposits but invests them, holding bank shares, and granting loans to municipalities, native States, companies, and others. The excess of liabilities over assets in the banking account is covered by a portion (about one-fourth) of the cash balances.

STATEMENT A.

Public Debt and Banking Liabilities of the Government of India.

Information obtained from		PUBLIC DEBT.	Liabilities.	Amounts reducing the liabilities.
Home or Finance Accounts	Page			
			£	£
Finance .	54	Total amount of loans, March 31, 1876 . . .	122,481,757	
		Bonds not bearing interest	20,917	
		East India Stock, unclaimed	28,666	
Home .	38	Owing for export stores .	150,000	
		Imperial Government, War Office claims . .	68,330	
Finance .	136	Loans and Treasury bills in India, not bearing interest	67,340	
		Gross total of Public Debt	122,817,010	
		Deduct:—		
„ .	160	Portion of the Public Debt held by the Paper Currency Department, interest on which is taken as revenue of that department	. .	5,003,040
		Cash Balances:—		
.	143	India . . 16,952,494		
Home .	39	England . 920,040		
		17,872,534		
		Deduct net amount of banking liabilities (*See* page 9). 3,479,678		
		14,392,856		14,392,856
		Total amounts reducing Public Debt	20,295,896	20,295,896
		Net amount of Public Debt	102,521,114	

Information obtained from		Banking Account.	Liabilities.	Amounts reducing the liabilities.
Home or Finance Accounts	Page			
			£	£
Finance .	137	Treasury Notes of Service Funds	1,637,834	
„ . .	138	Service Fund deposits. .	1,785,095	
„ . .	138	Savings' Bank deposits .	1,830,814	
„ . .	142	Political Trust, Prize, and Railway Funds .	943,806	
Home .	38	Held in deposit in England on account of railway companies . . .	1,351,647	
		Bill of exchange, payable	4,620	
Finance .	141	Deposits	3,613,913	
		Total of banking liabilities	11,167,729	
		Deduct Assets :—		
Finance .	149	Loans to municipalities &c. . .		5,677,872
Home .	39	Loan and interest due by Madras Irrigation and Canal Company		548,304
Finance .	157	Bank shares held by Government		461,875
„ . .	2 & 3	Recoverable advances :— ("Repayment of advances" is shown on the receipt side of the finance accounts, and "Advances Repayable" on the payment side. No information as to balances is given, but as it would be unfair to omit them, one million is taken as a low estimate [1] of the balance of such advances. The actual amount may be much greater) . . .		1,000,000
		Total of banking assets .		7,688,051
		Portion of cash balance covering net amount of banking liabilities . . (*See* page 8)		3,479,678
		Total covering banking liabilities		11,167,729

[1] This comparatively unimportant item is the only *estimated* one in these statements. The others are all taken from the published accounts, or in one case (page 11) from a speech by the Public Works Minister.

Statement B.

List of known items of reproductive Fixed Capital and Advances, which may fairly be taken to represent the greater portion of the Public Debt of India.

Information obtained from		Item.	Amount.
Home or Finance Accounts	Page		
		Advanced to Railway Companies.	£
Finance	157	Amount of guaranteed interest, recoverable from surplus profits, and therefore fairly to be taken as an asset. (In Sir Andrew Clarke's speech to the Legislative Council of India, on January 16, 1878, he stated that the railways were no longer a burden on the taxpayers. The traffic earnings of the guaranteed railways have in the last year covered the guaranteed interest.[1] All further growth of those earnings will give surplus profits, half of which will go to the State, in gradual refund of these advances, on which simple interest will also be receivable from the same source) . .	27,271,425
		Fixed Capital in Remunerative Works.	
Finance	156	Capital cost of State Railways	12,069,362
„	116	Capital cost of Patree Salt Railway	82,561
„	119 to 124	Capital cost of certain works of Irrigation . . .	11,157,692

[1] A portion of last year's receipts may have been due to abnormal (famine) traffic, but the normal traffic is growing steadily, and may be expected soon to reach an amount equal to the total of last year.

Information obtained from		Item.	Amount.
Home or Finance Accounts	Page		
Speech of Sir Andrew Clarke, Public Works Minister of India		Capital cost of other works of Irrigation, being the difference between the cost of those detailed in the finance accounts, and the total amount of £24,000,000 stated by Sir Andrew Clarke, in his speech of January 16, 1878, to the Legislative Council of India, to have been already spent in Irrigation.	£ 12,842,308
Finance	166	Capital cost of Indian and Ceylon Telegraphs . . .	3,085,751
Home	44	Capital cost of the Indo-European Telegraphs .	1,157,058
		PROPERTY HELD FOR READY SALE.	
Finance	27	Value of Government salt in store	1,964,281
"	27 & 28	Value (at £120 a chest, somewhat less than the actual rate of the previous year's sales) of 52,212 chests of opium in store	6,265,440
		Total *known* amount of directly *reproductive* investments	75,895,878

Taxation.

The following remarks are based upon the information contained in the general accounts of receipts and disbursements, revenue and expenditure, on pages 2 to 5 of the finance accounts. But the form of those accounts was not suitable for the purpose in view. It should be borne in mind that the finance accounts are very properly submitted in gross; that is to say, actual receipts and payments are shown in full, even if afterwards refunded or recovered, and without deducting the cost of collection. But for the purposes of fair criticism on the policy of a government, it is necessary to arrive at and consider the net figures, and to classify the receipts and expenditure under other heads than those adopted in their compilation. This has been done in the annexed statements C, D, and E, the supplementary figures published in the more detailed parts of the finance accounts being referred to when necessary.[1]

Statement C shows the revenue of India. The first thing to notice is that the greater portion is not obtained by taxation at all, but from the property

[1] Those who wish to check my figures can (with the exception I am about to mention) easily do so by reference to pages 2 to 5 of the finance accounts, and to the supplementary accounts of which the pages are quoted on pages 2 to 5. The only figures which it may be somewhat difficult to check, are those relating to Imperial Civil Buildings, Communications, Miscellaneous Public Improvements, and Public Works charges in England (pages 85 to 88 of the Finance Accounts). These require not only re-arrangement, but also a distribution of certain general charges. As this is not important, and would take too long to explain, I must beg the reader to accept my classification.

and investments of the State, including (in this case I take the net figures)—

Rent of the National Estates		£18,895,975
Profits	Forests	267,113
	Opium	6,252,026
	Mint	2,863
Interest on investments		561,015
		£25,978,992

The whole of the taxation (gross) is only £14,294,914, of which £140,571 were refunded, leaving £14,154,343 of taxation to be borne by a population of about 190,000,000, being a small fraction less than 1*s.* 6*d.* a head. If it be considered that 33,444,419 of population in the United Kingdom pay about £67,142,904 in taxes,[1] being over £2. 0*s.* 1*d.* a head, it will be seen that the taxation of India is exceedingly low as compared with that of a great European State. The taxation per head is nearly twenty-seven times as heavy in England, Scotland, or Ireland, as it is in British India.

Statement D shows how the revenue is expended.

[1] The figures for the United Kingdom are taken from the *Financial Reform Almanack* for 1878, the amount shown as Taxation consisting of—

Customs	£20,044,263
Excise	28,408,051
Stamps	11,126,493
Income Tax	5,340,718
Inhabited House Duty	1,460,461
Fees of Public Offices	762,918
Total	£67,142,904

The following items (some of which are distinctly traceable only in the finance accounts on the pages quoted) are not ordinary charges, like the usual expenditure of other governments, but are reproductive investments, or savings of capital :—

Capital outlay on State Railways (page 134)		£21,228
Land for Guaranteed Railways (page 134) .		30,965
Capital outlay on Irrigation Works (p. 86) .		272,566
Capital outlay on Telegraph Construction—		
Page 36 . . .	£129,733	
Page 38	7,947	
		137,680
Advanced to Railway Companies, as recoverable interest (Statement D) . . .		975,310
Expended on Extraordinary Works beyond the amount borrowed for them (Statement E)		121,210
		£1,558,959

Although the country had to meet famine relief charges to the extent of £508,554, it was able

To invest reproductively (as shown above)	£1,558,959
To pay off debt	39,897
And to have a surplus of . . .	1,668,945
	£3,267,801

—not bad for a country supposed to be on the high road to national bankruptcy.

It may, however, be said (and a footnote on page 3 of the finance accounts seems to justify it) that the total expenditure was £2,601,684 in excess of the total income. But if *total* expenditure, including that on extraordinary reproductive works, for which the money was, after legal sanction, obtained by loan, is to be taken on one side of the account, it is incorrect not to take the amount borrowed for those works on the other side.

The footnote would better have been as follows:—

Total Revenue . . .	£51,310,063	
Borrowed for Reproductive Works	4,149,419	
Total Income . . .		£55,459,482
Ordinary Expenditure .	£49,641,118	
Extraordinary Reproductive Works from borrowed funds	4,270,629	
Total Expenditure . .		53,911,747
Excess of Income over total Expenditure		£1,547,735

Taking the two statements, C and D, it will be seen that the net taxation (£13,271,953) would not cover the net cost (£11,858,926) of the Civil Services and (£1,713,724) of the allowances under treaties and engagements. All other expenditure (except that from loans) is provided for from rent, profits, or interest, supplemented by tributes from defended States and some miscellaneous receipts, the two last

amounting to about one million. The principal items are land (net receipts, £18,895,975) and opium (net receipts, £6,252,026).

These figures will show the importance of the 6¼ millions of revenue obtained from opium. Those who wish to give this up, on the ground of its supposed immorality, have not told us how they propose to add[1] nearly 50 per cent. to the existing taxation of British India to replace it. Perhaps they would replace it by increase of rent, but the land revenue cannot be increased, except when settlements expire, and in the case of Bengal, cannot be increased without upsetting the permanent settlement.

High moral principle may suggest that, whatever the loss to India, we should give up a revenue derived from the vices of the Chinese. I quite agree, provided we could, by the proposed act of sacrifice, really prevent the Chinese consumption of opium. But we cannot do so; the demand will remain, and the supply will go on. I would ask those who wish to give up the opium revenue on the ground of the harm done by the opium to the Chinese, how they propose to prevent the Chinese, on our supply failing, growing the drug themselves, or getting it elsewhere? Are they prepared to go to war with Holland to prevent its being grown in Java? Would they simply rob the Indian taxpayers of about 6¼ millions a year, to present that sum to the opium growers of

[1] Allowing for cost of collection of any new taxes.

other countries as a premium for the *extension* of the cultivation of opium? The Government of India *limits* the quantity of opium manufactured, and so long as it has the command of the supply most in demand it can continue to do so, but the limitation would, like the revenue, disappear with the monopoly.

The opium revenue is a legacy from the commercial times of the East India Company. It would probably never have been created under a non-commercial administration, but India has it, and a magnificent property it is. The peculiar advantage of it is that it is in no sense paid by the people of India. The tax on the little opium used by them is classed under 'Excise on Spirits and Drugs.'

The opium revenue is somewhat uncertain. Prices may rise or fall, causing an unforeseeable surplus or deficit in the finances. And it has for a number of years been supposed that we are liable to entire loss or great diminution of our opium revenue from extension of opium cultivation elsewhere. This fear has, so far, not been realised. We occupy the market; our soil and climate, experience and appliances, enable us to produce the best quality; and as the article is one of luxury, consumers will continue to take (so long as it is provided) the kind they, by choice and custom, like the most. A change is possible, but if it comes it will be gradual, and can be met gradually.

However, the opium revenue is the one largely fluctuating item on the receipt side. Public works

are the largely fluctuating item on the disbursement side. It might give greater stability to the financial estimates if all net opium revenue beyond a fixed minimum were distinctly assigned for works of improvement. It is certainly the opium revenue alone that gives funds for execution of such works otherwise than with borrowed money.

Statement E, the General Account, explains itself. It will be seen that there are large items (provincial and local funds, and remittances) which are neither revenue, expenditure, debt, nor banking, but merely transfers of public money between different treasuries and departments.

STATEMENT C.

Revenue.

TAXATION.	Gross (Page 4)[1]	Deduct Expenditure under same head (Page 5)	Deduct Refunds and Drawbacks (Page 62)	Net
	£	£	£	£
Excise on Spirits and Drugs	2,493,232	82,855	3,321	2,407,056
Assessed Taxes	510		167	343
Customs	2,721,389	185,731	65,740	2,469,918
Salt	6,244,415	507,410	34,787	5,702,218
Stamps	2,835,368	106,394	36,556	2,692,418
Total from Taxation	14,294,914	882,390	140,571	13,271,953
OTHER REVENUE.				
Land Revenue	21,503,742	2,509,427	98,340	18,895,975
Tributes and Contributions	726,188			726,188
Forests	672,528	402,520	2,895	267,113
Opium	8,471,425	2,218,565	834	6,252,026
Mint	110,489	107,626		2,863
Interest on Public Money invested	561,189		174	561,015
Miscellaneous	281,768		53,289	228,479
Total, other than by Taxes	32,327,329	5,238,138	155,532	26,933,659
Total Revenue	46,622,243	6,120,528	296,103	40,205,612

[1] References are to the finance accounts.

STATEMENT D.

Ordinary Expenditure chargeable to the Revenue of India.

	Gross (Page 5)	Deduct Receipts under same head (Page 4)	Drawbacks reducing the Receipts to be deducted (Page 62)	Net
INTEREST ON DEBT.	£	£	£	£
On Public Debt	5,178,108	—	—	5,178,108
On Banking Obligations	385,860	—	—	385,860
Total Interest on Debt	5,563,968	—	—	5,563,968
WAR.				
Army	15,308,460	1,045,612	—	14,262,848
Military Works	1,337,738	16,478	—	1,321,260
Total War	16,646,198	1,062,090	—	15,584,108
CIVIL SERVICES.				
Administration	1,697,365	—	—	1,697,365
Law and Justice	2,336,477	315,992	37,410	2,057,895
Ecclesiastical	158,058	—	—	158,058
Medical	181,928	—	—	181,928
Political Agencies	429,535	—	—	429,535
Superannuation, Retired, and Compassionate Allowances	1,939,305	749,166	—	1,190,139
Civil Furlough and Absentee Allowances	229,199	—	—	229,199
Provincial Services, including Education, Police, Jails, Hospitals, Registration, Vaccination, Local Roads, Provincial Civil Buildings, and Local Works of Public Improvement	5,153,652	—	—	5,153,652
Civil Buildings, Imperial	197,054	22,500	—	174,554
Marine (a part of this should be under "War," but information is insufficient for its separation)	627,702	227,887	25	399,840
Miscellaneous	186,761	—	—	186,761
Total Civil Services	13,137,036	1,315,545	37,435	11,858,926

EXCHANGE ON TRANSACTIONS WITH LONDON	1,429,658	395,365	—	1,034,293
ALLOWANCES AND ASSIGNMENTS UNDER TREATIES AND ENGAGEMENTS	1,713,724	—	—	1,713,724
COMMUNICATIONS.				
State Railways (ordinary Expenditure, not from Loans)	214,713	289,512	—	(*Minus*) 74,799
Guaranteed Railways (Land and Supervision)	83,313	—	—	83,313
Roads, &c., Imperial	108,317	12,368	—	95,949
Telegraphs	490,624	309,040	2,536	184,120
Post Offices	822,079	763,597	250	58,732
Total Communications	1,719,046	1,374,517	2,786	347,315
IRRIGATION.				
Ordinary Expenditure not from Loans	1,070,240	517,720	—	552,520
MISCELLANEOUS.				
Public Works Charges in England (Cooper's Hill College, Furlough Allowances, Stores, &c.)	74,266	18,374	—	55,892
Public Improvements in India	36,867	4,209	—	32,658
MINOR DEPARTMENTS.				
Surveys, Meteorology, Scientific Experiments, Plantations, Science, Art and Statistics, &c.	309,399	—	—	309,399
FAMINE RELIEF	508,554	—	—	508,554
Total classed as Ordinary	42,208,956	4,687,820	40,221	37,561,357
Add difference between Net Traffic Receipts on Guaranteed Railways and GUARANTEED INTEREST paid on the Capital of those Railways. This is ultimately repayable to Government, with simple Interest, by division, when the Net Traffic Receipts of each Railway exceed the Guaranteed Interest, of the excess Receipts between the Railway Company and the Government. (*See* first item in Statement B.)	975,310	—	—	975,310
Total of Expenditure chargeable to Revenue	£43,184,266	£4,687,820	£40,221	£38,536,667

STATEMENT E.

General Account of the Finances of India for the year ending 31st March 1876.

	Receipts.	Payments.			Difference between Receipts and Payments.		Remarks on the Difference.
		Expenditure.	Repayments or Advances, &c.	Total.	Receipts more than Payments	Payments more than Receipts	
	£	£	£	£	£	£	
Balance on 1st April 1875	17,974,184						
REVENUE, as detailed in Statement C	46,622,243	6,120,528	296,103	6,416,631	40,205,612		Net Revenue.
CHARGES BORNE FROM REVENUE as detailed in Statement D	4,687,820	43,184,266	40,221	43,224,487		38,536,667	Net Expenditure.
Total Revenue and Charges borne by Revenue	51,310,063	49,304,794	336,324	49,641,118	1,668,945		Surplus of the year.
EXTRAORDINARY Expenditure, met from borrowed funds:							The amount by which the Extraordinary Expenditure on Reproductive Works exceeds the amount borrowed for them was taken from the cash balances.
Irrigation Works		1,105,445		1,105,445			
State Railways		3,165,184		3,165,184			
Total Extraordinary Expenditure		4,270,629		4,270,629		121,210	
PUBLIC DEBT.							
Permanent Debt incurred	4,149,419						
Permanent Debt discharged, including repayment of Loan from King of Oudh			39,897				
Total Public Debt	4,149,419		39,897	39,897	4,109,522		Added to Public Debt, but all and more spent on Reproductive Works, as shown above.
BANKING ACCOUNT (of the Government of India, in its capacity of custodian of various trust funds):—							
Treasury Notes of Service Funds	299,946		190,912				
Service Fund Deposits	544,165		432,319				
Savings Bank Deposits	737,539		653,518				

Political Trust, Prize, and Railway Funds	308,000		413,423				
Capital received from, or for Railway Companies	3,237,410		4,280,594				
Deposits	8,569,091		8,750,957				
Advances and their repayment	3,726,786		3,451,365				
Loans to Municipalities, Native States, &c.	171,311		558,798				
Miscellaneous	418,990		726,447				
Total Banking Account	18,013,238		19,458,333	19,458,333		1,445,095	Banking liabilities reduced.
[1]Provincial Services & Local Funds: Moneys held by the Government in its general capacity, on account of its own Agents, the Provincial and Local Authorities	11,294,641		11,712,283	11,712,283		417,642	The balance of these funds was reduced during the year from £2,095,690, to £1,678,048, but as these funds are still the property of the British Government, they are not classed among its liabilities.
Remittance Account (of moneys in transit or awaiting acknowledgment between the Home and Indian Treasuries or between different Treasuries in India):—							
Remittances between Districts	885,881		725,229				
" " Provinces within India	16,553,295		15,818,663				
Remittances between India and England	13,708,696		14,350,872				Greater amount in transit at the beginning than the end of the year.
Total Remittance Account	31,147,872		30,894,764	30,894,764	253,108		
Total Receipts and Payments	115,915,233	53,575,423	62,441,601	116,017,024		101,791	Cash balance reduced.
Balance on 31st March 1876				17,872,393			
Total	133,889,417			133,889,417			

[1] Provincial Services and Local Funds, and Remittance Account, being merely liabilities *between* different branches of the British Government, are not included under the head "Banking Account," which is intended to represent *liabilities of* the Government.

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FACTS AND FALLACIES

REGARDING

IRRIGATION

AS A PREVENTION OF

FAMINE IN INDIA.

BY

JOHN DACOSTA,

Late Senior Partner of the firm of Ashburner & Co., Calcutta.

LONDON:

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1878.

Price Sixpence.

BOMBAY BRANCH
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PREFACE.

THE undersigned have read with great interest Mr. Dacosta's pamphlet on the subject of the Land-tax in India; and as they regard it as an eminently practical contribution to the discussion of a question, the importance of which cannot be exaggerated, they desire, without committing themselves to all its opinions, earnestly to commend it to the public attention.

It is of the last importance that the recurrence of disastrous famines in India should, as far as possible, be prevented; but, in order to accomplish this object, it is manifestly necessary that projects of a chimerical nature should not receive the sanction of the Imperial Parliament. Mr. Dacosta, in proposing security of tenure as the reform most urgently called for in India, has presented a side of the question which has hitherto not been sufficiently represented in the controversy now taking place in this country, and which should be as carefully considered as other proposals.

GEORGE U. YULE, (K.C.S.I.)
GEORGE LOCH, (B.C.S., late Judge of the High Court of Bengal.)
GEORGE SMITH, (D.D., C.I.E.)
CHARLES W. DILKE, (Bart., M.P.)
J. F. LEITH, (Q.C., M.P.)
THOMAS B. POTTER, (M.P.)
GEORGE ANDERSON, (M.P.)
J. CORBETT, (M.P.)
EDWARD JENKINS, (M.P.)
R. N. FOWLER.
F. W. CHESSON, Secretary of the Aborigines Protection Society.

London, February 1st, 1878.

IRRIGATION, FAMINE,

AND THE

LAND-TAX OF INDIA.

AMONG the suggestions which have been offered for the prevention of famine in India, the construction of irrigation works, on a vast scale, stands somewhat prominently forward, as a measure advocated by certain Indian officials who have been very active in their efforts to enlist public opinion on their side. It is supposed that, through the instrumentality of such works, additional quantities of food would be produced, which would relieve the Government of the necessity, under which it now labours, of periodically finding food for a large section of the people.

In considering this suggestion, however, it should be remembered that India, including the Burman provinces, already produces more food than is

needed for the support of her population, seeing that she annually supplies foreign countries with large quantities of rice, and that her exports of wheat actually increased during the height of the present famine. The cause of famine in India, therefore, lies, not in a deficiency in the amount of food produced in the country, but in the want of means, with large numbers of the population, to purchase the food which has been produced, or—in other words—in the great poverty of her inhabitants. A heavy expenditure upon irrigation works, by necessitating additional taxation, would consequently further impoverish the people, and result in the aggravation of the very cause of suffering which it is proposed to remove.

Objections to such an expenditure arise, moreover, directly from the fact that the irrigation schemes already tried have failed to yield the results which they were intended to produce, and that the attempts hitherto made to rectify their defects, have remained almost fruitless. Until recently, the works were represented, by those who are responsible for their construction, not only as having been successful in affording suitable irrigation, but as yielding profitable returns financially. The latter point, however, had to be given up, when the accounts presented to Parliament exposed the ruinous character of the schemes, by divulging the fact that they had resulted in heavy losses, which were annually increasing, and had

already amounted, on the 31st of March 1876, to £3,852,812.* The contention at present, therefore, is, that our irrigation works, although they create a burden on the finances of the State, are necessary as a protection against famine; and, in support of this proposition, it is asserted that the Ganges Canal has given the adjoining districts, that is, the Doâb, an absolute immunity from famine; that the canals in Orissa have afforded an insurance against a similar calamity in that province, and that the Government works in the Madras Presidency have been in the highest degree beneficial in the same way.

As regards the Ganges Canal, which was opened in 1855, it is only necessary to point to the famines which desolated the Doâb in 1860–61, and 1869, to show that the canal has not afforded the immunity contended for; and the irrigation subsequently supplied from that canal, and the minor Government works in the North-Western Provinces, has undergone a serious diminution, as may be seen from the following figures :—

	Area irrigated from the Government canals in the N.W.P.
In 1868-69	1,441,917 acres.
1869-70	1,089,673 „
1870-71	1,051,355 „
1871-72	852,489 „
1872-73 . . .	about 960,000 „
1873-74	1,049,312 „
1874-75 . . .	about 1,120,000 „

* Leaving out of account the Jumna canals which were not originally devised by us, but are old Mahomedan works which we restored.

	Area irrigated from the Government canals in the N.W.P.
In 1875-76 . . .	about 1,180,000 acres.
1876-77 . . .	1,239,883 „

Thus, the figure attained in 1868–69 has never since been reached, although new works have subsequently been opened, the results obtained from these having been limited to the trifling annual increase shown between the years 1871–72 and 1876–77.

When it is considered that, of the actual area irrigated from the above-mentioned works, only one half is cultivated in cereals, while the area under cultivation in the North-Western Provinces amounts to about 14,000,000 acres, it will be seen how little the canals have contributed towards the production of food and the mitigation of famine in those provinces. The cultivators themselves greatly prefer wells to canals; and, had the Ganges Canal not been constructed, the adjacent lands would have been irrigated, as the remainder of those provinces previously was, and at present is, irrigated, by means of wells constructed at the expense of the ryots; whereby much waste of public money would have been avoided, and greater satisfaction afforded to the people.

In the Bengal Presidency, the Orissa project is the only scheme which has been developed as yet. When the completion of the works was sanctioned by the Secretary of State, on the Chief Engineer's Report of 20th November 1869, the canals were

expected to supply irrigation for 1,600,000 acres.* The irrigation actually supplied scarcely amounts to a twentieth part of that figure, and very little more can be expected from the canals, since the officials in charge report that "the works have fulfilled almost the maximum task they were intended to fulfil."—(*Report of the Collector of Midnapore for* 1874–75, *para.* 23.) The irrigation supplied has, moreover, been extremely defective, some fields having literally been swamped, and rendered unfit for cultivation for a season, while others were irrigated too late to save the crops which had been sown in them. Many ryots, who were ruined in consequence of these irregularities, had to leave the district, the agricultural population of which has been further reduced by numerous deaths from

* The Duke of Argyll, in a despatch dated 27th July 1871, said with reference to this report:—"The review . . . . seems based on moderate data . . . the net revenue is expected eventually to be at least 16 per cent. on the outlay; and both such experience as has already been afforded by the works themselves and analogous experience elsewhere, warrant the belief that this is not an extravagant estimate." At the present day, however, it is known that the estimate was unjustifiable, having been based upon entirely unreliable data; that the scheme has never earned enough to cover working expenses, and that it entails on the State a loss of about £150,000 annually. Nobody has been held responsible for the misleading character of the Orissa scheme estimate which led to so disastrous a result, and it is to this circumstance, doubtless, that we must ascribe the persistent boldness with which new schemes, based upon data equally untrustworthy, have continued to be submitted for the sanction of the Government.

malarious fever, attributed to the action of the canals. The *Revenue Superintendent's Report for* 1874–75, *para.* 17 *to* 44, establishes many of these facts, and, by the clear light which it throws on the working of the Orissa project, shows that the canals have done more harm than good to the cultivators whom they were intended to benefit.

In the Madras Presidency, the system of *anicuts*, or weirs, built across rivers, for diverting water into irrigation canals, has, in several instances, proved successful in ordinary years, but has failed in seasons of prolonged drought. The rivers in that Presidency are generally of the character of mountain torrents, depending on rain for their floods, and running almost dry in seasons of drought, when irrigation is most needed. Mr. T. B. Potter, M.P., sent to India certain questions relative to the present famine; and, from the answers given by a Revenue officer of twenty-six years experience, which were published in the *Sheffield and Rotherham Independent* of 1st November 1877, it appears that the *anicuts* applied to the river Palar failed to supply water for irrigation during two successive seasons of drought, as there had been no floods in that river in those two years. Even the Godâvery works (which are considered the most successful in the Madras Presidency) are open to the same objection, as will be seen from the following telegram of 21st October last, which was published in the *Times of India:* "In the Godâvery Valley, irrigation is

certain to fall off greatly, owing to the lowness of the Godâvery river, which is due to the lateness and mildness of the south-west monsoon."

But, whatever advantages the people may have derived from our irrigation schemes in Madras, there is every reason to apprehend that the injuries which the works have inflicted have, at least, been equally great. Wet seasons are as common in India as dry seasons, and the effect of a heavy monsoon upon low-lying level lands, commanded by canals, with the whole rush of water of great rivers shut off from the sea by *anicuts*, is to cause incalculable damage. Land is injured and crops are destroyed by wet as well as by drought; and the cultivators themselves are strongly opposed to our canals, preferring wells and tanks, as being more suitable for their purpose, and less hurtful in wet seasons.

A reference to the Reports of the officers in charge of the irrigation works in India, which are annually printed and sent to the India Office, will show that, on the whole, our Engineers have not succeeded in adapting their works to the requirements of the Indian cultivator. Their failure, in this respect, can scarcely be a matter for surprise, when it is considered that, possessing no practical knowledge of Indian agriculture, and holding no intercourse with the cultivators, they could have had but an imperfect acquaintance with the actual wants which they were called upon to supply, and which, from accidental features of the ground and

diversity in the quality of the soil, vary, sometimes considerably, within very limited spaces. In short, our schemes have been experiments of the most speculative nature (excepting where we undertook the restoration of native works); and when it is borne in mind that, besides their failure to provide the irrigation required, they have burdened the revenues with a permanent charge, and that our canals, moreover, have, through saline deposits, destroyed the fertility of fields, and, by raising the subsoil water, generated fever over wide tracts, it must be admitted that those who are urging the Government to incur a large expenditure upon new schemes of the same sort, are taking upon themselves a very grave responsibility.

During the last two or three years Lord Salisbury has, on several occasions, taken the opportunity of enlightening the public on the subject of our irrigation works in India. When addressing the Manchester Chamber of Commerce, in 1875, he said that he had himself been greatly misled on the character of those works by the enthusiastic representations of certain persons who had made themselves the advocates of irrigation schemes; but that his study of the subject had led him to the conviction that the works were not at all what they were represented to be. Subsequently, he intimated that, in most cases, the works had not answered their purpose, and that their financial results had been deplorable. Speaking

on the 11th of October last, at Bradford, his Lordship showed that, under any circumstances, "we must not look to irrigation as an extensive remedy against famine, and that, if we expend money rashly upon irrigation works which will not pay, and cannot be used by the inhabitants, the interest of that money must be found out of taxes, which must, in the main, be levied on the peasant; and that the end would be that, in order to save him from famine, which comes once in twenty years" (meaning, doubtless, in the same province), "we would crush him under an increased burden of taxes which comes upon him every year." This warning appears to have been called forth by Mr. Bright's statement, made in the previous month at Manchester, to the effect that "if we had spent thirty millions in canals, none of the famines which, during the last few years, had swept and were sweeping away millions of the population, would have occurred." Referring more directly to this assertion, and to certain speeches made by other persons elsewhere, Lord Salisbury said: "I am sorry to see that, in some places, a kind of cry is being got up for a violent and excessive expenditure on public works, to save the country from famine. I am the last person to speak against a judicious and liberal expenditure on public works; but there is a great difference between that and rushing hastily into an expenditure of thirty millions, a sum which, I am sorry to say, fell from the mouth of one of the most distinguished

authorities in this country . . . It is in your power, if you give a thoughtless sanction to imprudent measures, to mar the fortunes of your Indian fellow-subjects, as much as it is in your power, by reasonable help and prudent counsel, to restore them to their former prosperity. Now, depend upon it, the only true remedy against famine and scarcity is the frugality of the people . . . . . The people ought, in years of plenty, to make money enough to lay up against these times of famine, and it is to the improvement of their social and moral condition, and to rescuing them from the grasp of the money-lenders, ... it is to this rather than to any great and passionate expenditure on public works, that I would look for a remedy."

The policy thus laid down by the Indian Secretary is based, it must be remembered, on the administrative experience of many years, and on the ascertained results of the irrigation schemes which have hitherto been tried. This policy may be summed in the following words: "Avoid heavy expenditure upon irrigation works, as there is very little chance of the works proving successful, and the people are too poor to bear the taxation which would have to be imposed if such expenditure were incurred. Help the cultivator to keep the surplus which his field produces in favourable seasons, in order that he may no longer be compelled constantly to resort to the money-lender, and that his savings in time of

plenty may enable him to tide over seasons of scarcity."

The earnestness of Lord Salisbury's language, while it shows a firm belief in the soundness of the policy enunciated, betrays, at the same time, his apprehension lest the pressure of public opinion, influenced by unwise and irresponsible advisers, should force upon the Government a contrary and fatal course. Under such circumstances, the Secretary of State is, doubtless, entitled to the zealous assistance and co-operation of his subordinates, for carrying out the policy of the Government and combatting the opposition which is being suscitated. But, instead of such assistance being rendered, we find Indian officials actually engaged in opposing the views of the Government which they are bound to support. Lectures are given and speeches delivered in the principal cities of the kingdom, in which exaggerated and otherwise distorted facts are used for influencing public opinion in favour of an excessive expenditure upon irrigation works in India, and sensational writings of the same tendency appear in the public prints. The *Nineteenth Century* for November contains an article bearing the name of an Indian official, in which Lord Salisbury's policy is stigmatised and condemned, while Mr. Bright's suggestion that the Government should expend thirty millions on irrigation works, is held up to the admiration of the reader. The following passages in that article will, doubtless, be read with astonish-

ment and concern by all who are acquainted with the actual state of things referred to, and who take an interest in the welfare of India: "An eloquent and weighty voice has been heard to claim attention for bolder and more extensive schemes than even the warmest advocates of this policy have ever before ventured to put forward . . . Ten millions sterling might be spent in irrigation in the Punjab with absolutely no risk, irrespective of the enormous advantage that would accrue from assurance against drought." Referring to the irrigation connected with the Agra canal, the writer says: "When this is completed, the territory known as the North-Western Provinces will be rendered secure from famine." And elsewhere he says: "Those who would grudge the outlay, so far unprofitable, on the works constructed in Orissa since the famine of 1866, which, if they had been executed before instead of after, that event, would have prevented one of the most unsatisfactory chapters of Indian history being written, must surely be under the gambler's instinct." The groundlessness of the assumption that the works, had they existed in 1866, would have prevented the famine, will appear simply by reference to the local officers' Reports, which are annually printed and sent to the India Office, as already mentioned. Those Reports show how completely the canals in question have failed to afford the irrigation they were intended to provide, and how oppressive their working has proved, resulting in the impoverishment of a large

number of cultivators, who, having relied upon irrigation which they did not receive, were ruined, and had to give up their farms. The article in the *Nineteenth Century* goes on to state: "In the south of India, the works executed by the Government have been extraordinarily profitable, the only question being whether they are entitled to claim a dividend of from 50 to 60 per cent. on the outlay, as the more enthusiastic disciples of an irrigation policy declare, or whether the account should be struck at the more sober figure of 15 to 20 per cent." That no justification exists for even the lowest of these figures, will presently be shown; meanwhile, a few more extracts may be given from the article in question. The writer goes on to say: "In fact, given the probability of a famine occurring in any part of India—and who shall say that this is not a reasonable expectation—and irrigation outlay becomes a safe investment."

It may be remembered that predictions similar to those contained in the above extracts were made with regard to the Ganges Canal, and other large works. Those predictions have all been falsified by events, and there are few persons acquainted with India who will not agree in thinking with Lord Salisbury that, with the unsatisfactory results of our irrigation schemes before us, as recorded in the blue books, *East India Finance and Revenue Accounts*, and in the Reports of local officers, it would be the height of folly and wickedness to launch out into a

large expenditure upon new experimental schemes, at the risk of crushing the population with fresh taxes, and wholly alienating their good will.

When Colonel Chesney, the writer of the article in the *Nineteenth Century*, from which the above passages have been quoted, was examined by the Indian Finance Committee in 1871, he stated in answer to Question 6999 that "the Ganges Canal was yielding 7½ per cent. upon the capital invested." The accounts which have since then been laid before Parliament, show that that statement was incorrect, that the enterprise never was financially profitable, and that a heavy loss, amounting to £1,490,705 on the 31st March 1876, has been the result of the scheme. If Colonel Chesney, who had charge of the accounts in the Public Works Department, was mistaken on an important point intimately connected with his own duties, surely, his opinion upon general results cannot be accepted blindly, especially when we find them authoritatively contradicted, and when enthusiasm seems to have carried him beyond the bounds of sober reality, as expressions like the following, which frequently occur in his article, would tend to show: "Here then . . . is offered an enormous and untouched field for the extension of irrigation where *success is absolutely certain* . . . and a reasonable return for outlay, may be *confidently reckoned upon.*"

Reverting now to the assertion that irrigation works in Madras were yielding profits of 15 to 60

per cent., it may be remembered that still larger per-centages were set down for such works, in certain Returns presented to Parliament, about the time when Colonel Chesney was examined by the Indian Finance Committee. It was, however, soon discovered that those Returns were incorrect, the entire amount of land revenue recovered, having been entered in them as representing the profits yielded by the irrigation works; and Colonel Chesney himself, when he was cross-questioned on the subject, stated, in answer to Questions 7015 and 7016: "I have seen the Returns made to Parliament, showing extraordinary profits, and I am satisfied that those Returns are not correct. What the exact per-centage is I am not able to say, because the original accounts, when the works were first commenced, were not kept in a form which admits of the capital being distinctly separated." This difficulty has, since, not been removed; but the result of the investigations made on the subject, have tended, as the following extracts will show, to discredit all claims to large profits. In the Government Resolution of 26th July 1873, it is stated: "On the whole it is believed that we are getting such a return on irrigation works, that they have thrown no burden on the finances; but, until the returns are completed, the result cannot be told certainly." Two years later, even this moderate computation would seem to have been considered as unwarranted; for the Government Resolution of

12th June 1875 refers to the question in the following terms: "No deduction has been made for receipts for irrigation works in Madras, in consequence of the manner in which the receipts derived from irrigation are to be separated from the land revenue, not having been finally decided." Lastly, we find the following note in the blue book, *East India Finance and Revenue Accounts*, published in June 1877: "The accounts of irrigation works in Madras have not been made up as yet; their final results, therefore, cannot be exhibited in this Return." The assertion that the profits from these works had been 50 to 60 per cent., or even 15 to 20 per cent., must consequently be rejected as altogether unsupported by the recorded facts of the case.

While the chief aim of the article in the *Nineteenth Century* seems to be to convince the reader that extensive irrigation works, as means of increasing the production of food, are absolutely necessary for securing India against famine, the fallacy of this conclusion is shown from statements contained in the article itself. In the opening page, for instance, the writer says: "When the cause of Indian famines is said to be that an insufficiency of food has been produced in the districts affected, General Strachey retorts that this also is the chronic condition of the United Kingdom, which produces barely more than one-half of the food required for consumption by it, and that India tried by this

standard is far better off than Great Britain. . . . . India has never been compelled, in its worst seasons of scarcity, to obtain food from abroad, as England is obliged to do from day to day." It is, therefore, not additional food, but the means of distributing the quantity actually produced, that is needed for saving the people of India from starvation; and for such distribution, not only are the means of conveyance required, but also the means of purchasing the food, when it is brought into the districts where scarcity exists. In short, the chief, if not the only, cause of the appalling character of the famines in India, is the poverty of the people; and this brings us back to Lord Salisbury's proposition, that the true remedy against famines will be found in such measures as will enable the Indian peasant "to make money enough in years of plenty, to lay up against times of dearth." The measures needed, therefore, are those which will remove the obstacles now standing in the way of the ryot appropriating the surplus which his field produces in favorable seasons. Under present conditions, that surplus has to face heavy demands from two quarters, viz., the tax-gatherer's claim for arrears of land revenue, and the money-lender's application for a settlement of his advances; and, as a rule in the Madras Presidency, where the land-tax is annually liable to enhancement, the ryot is stripped of the entire produce of his field, save a bare and wretched subsistence; and he is compelled to borrow anew for

the operations of the ensuing season. But while, under existing circumstances, the proceeds of a good crop scarcely ever clears the ryot of his liabilities, no doubt can be entertained that, if his fields were brought into a high state of cultivation, two or three favourable seasons might suffice to clear him from debt, and even to enable him to effect savings. High cultivation, however, requires capital, and there is no security for the ryot, that the increase which the employment of capital may produce, will not be taken from him by the tax-gatherer, through an enhancement of the land-tax. This want of security will, at once, account for the wretched condition of agriculture, wherever the short-sighted policy of annual settlements prevails, and for the exhorbitant rates of interest which the money-lender demands as a compensation for the risk involved in his operations. But, while the people groan under this oppressive system, it is an error to believe that the State finances derive any real benefit from it. An energetic exercise of the power of enhancing the land-tax, produced, it is true, additional revenue for several years; but the injury to agriculture and the impoverishment of the people, which resulted from that unwise action, has thrown upon the Government an expenditure for famine relief, which far exceeds the extra hundred thousand pounds squeezed out of the people, during a few years; while the desolate state, to which the country is now reduced, will make it impossible,

for many years, to raise the revenue to its former level.

The remedy to this state of things lies obviously in the permanent settlement of the land-tax, whereby the value of land, as a security, being enhanced, the cultivator would not only be able to borrow, on moderate terms, the money required for agricultural purposes, but would receive the greatest inducement to improve his farm, since its surplus produce would be secured to him. From such a condition of things, and from no other, can we reasonably look for a realisation of Lord Salisbury's programme; can we hope to see the Indian peasant making money enough in years of plenty, to lay up against times of famine, and the Government of India permanently relieved of the herculean task of distributing food to millions of half-starved and demoralised human beings.

The following extracts, from official documents, will show that the remedial measure recommended in this paper, has the sanction of the highest authorities in matters of Indian administration:—

In 1861, a commission was appointed to inquire into the causes of the famine which had then recently desolated the North-Western Provinces of India; and Colonel Baird Smith, in his exhaustive report on the evidence collected, and the conclusions to which it led, recommended the permanent settlement of the land-tax as the measure best calculated

to mitigate the effects of drought and scarcity in future. Comparing the famine of 1860–61 with one of much greater severity which had occurred in 1837, he said: "Foremost amongst the means whereby society in Northern India has been so strengthened as thus to resist, with less suffering, far heavier pressure from drought and famine in 1860 than in 1837, I place the creation, as it may almost literally be called, of a vast mass of readily convertible and easily transferable agricultural property. I have before described the condition of agricultural property antecedent to these settlements, and it will probably be admitted, without serious qualification, that a state of things more likely to weaken the society living under it could scarcely be conceived. To great and unequal pressure of public burdens . . . . . and arbitrarv interferences, have succeeded assessments rarely heavy, titles recorded and easily understood, long leases, and the enjoyments of all the profits during the currency of such leases. The natural results of such a change in so vital a part of the social economy have grown more and more apparent. Land has obtained an increasing marketable value. Its value as a security has, doubtless, been largely made use of in mitigating the pressure of famine. Such, then, having been the general results of the protracted fixity of the public demand, the security of titles, the general moderation of assessments, the recognition and general record of rights . . . the inference

seems irresistible that, to intensify and perpetuate these results, we must proceed still further in the same healthy and fruitful direction. The good which has been done by partial action on sound principles is both a justification and an encouragement to further advances; and, entertaining the most earnest conviction that State interests and popular interests will be alike strengthened in an increasing ratio by the step, the first, and, as I believe, most important measure I have respectfully to submit for consideration, is the expediency of fixing for ever the public demand on the land, and thus converting the existing settlement into a settlement for perpetuity."

Lord Canning, in a Resolution published in 1861, on "*the sale of waste lands in perpetuity, discharged from all prospective demands on account of land revenue, and the permission to redeem the existing land revenue by the immediate payment of one sum equal in value to the revenue redeemed*, said: "His Excellency in Council sees no reason to doubt that, so far as either measure might take effect, it would be in every way beneficial. As to waste lands, there could be no question . . . . H. E. in Council has still less doubts as to the beneficial results of permitting a redemption of the land revenue. He believes that increased security of fixed property, and comparative freedom from the interference of fiscal officers of the Government, will tend to create a class which, although composed of various races

and creeds, will be peculiarly bound to the British rule; while, under proper regulations, the measure will conduce materially to the improvement of the general revenue of the Empire."

Sir William Muir summed up, in the following terms, the benefits to be derived from a permanent settlement of the land-tax:—

1. Saving of the expenditure now incurred by the necessity of periodical assessments;

2. Deliverance of the people from the vexations prevalent at every settlement;

3. Freedom from the tendency to depreciation of property towards the close of each temporary settlement;

4. Prosperity arising from increased incentive to improvement and expenditure of capital;

5. Greatly increased value of landed property by content and satisfaction among the people;

And, replying to the objections raised as to the sacrifice of revenue involved in the proposed measure, Sir W. Muir added: "Allowing the widest scope and fullest consideration to all the objections that can be urged against departing from the system of temporary settlements, the advantage of a settlement in perpetuity appears to me vastly to outweigh them all, and I most decidedly advocate the measure."

Mr. Money, a member of the Board of Revenue, N. W. Provinces, thus recorded his opinion: "The policy of removing the bar to improvement which is

now presented by the uncertainty of the Government demand, is obvious, and the arguments which have been adduced in favour of a Permanent Settlement appear to me unanswerable."

Sir George Edmonstone, Lieutenant-Governor of the N. W. Provinces, said: "I do not in the least doubt that permanency in the settlement of land revenue will be productive of all the advantages which Colonel Baird Smith and Mr. Muir, in greater detail, have depicted. Judging by the effect of settlements for long periods, it may safely be anticipated that the limitation of the Government demand in perpetuity will, in much larger degree, lead to the investment of capital in the land. The wealth of the agricultural classes will be increased; the prosperity of the country and the strength of the community will be augmented; land will command a much higher price. The prospective loss which the Government will incur by relinquishing its share of profits arising from extended cultivation and improved productiveness, will be partly, if not wholly, compensated by the indirect return which would be derived from the increased wealth and prosperity of the country at large."

The Secretary of State for India, replying in July 1862 to the Despatch in which Lord Canning had communicated the Resolution mentioned above, said: "After the most careful review of all these considerations, H. M. Government are of opinion that the advantages which may reasonably be expected to

accrue, not only to those immediately connected with the land, but to the community generally, are sufficiently great to justify them in incurring the risk of some prospective loss of land revenue, in order to attain them; and that a settlement in perpetuity in the districts in which the conditions required are or may hereafter be fulfilled, is a measure dictated by sound policy, and calculated to accelerate the development of the resources of India, and to insure in the highest degree the welfare and contentment of all classes of H. M. subjects in the country."

Mr. Bird, one of the most distinguished Revenue officers in Northern India, in reporting on the condition of the Budâon district, made the following remarks, which, by vividly illustrating the danger inherent to periodical settlements, indicate the great evil which fixity in the Government demand is calculated to remove: "This district was in a state of great distress and disorganisation . . . . It had been much mismanaged, and unauthorised charges and illegal modes of duress had prevailed very extensively. The revision of settlement took place at a period when the disposition to over-assess was far from being allayed. It is impossible that, in districts so greatly injured in their circumstances, and more in what the French call their *morale*, by oppressive assessments and great mismanagement, the mistakes and evils which have arisen can be redressed at one operation . . . . No slight benefit

will have been gained if Government and its servants are convinced, as I trust they now are, of the actual loss of money which is certain to follow over-assessment."

The opinions of many other distinguished Indian officials and statesmen might be cited in favour of a permanent limitation of the Government demand upon land in India; but the foregoing extracts will, doubtless, suffice to show the invaluable results which must proceed from the adoption of such a measure, and to convince those who are acquainted with the pernicious effect of temporary settlements, on the condition of the people, that the measure is urgently needed.

But, independently of the opinions which have been cited, the value of a permanent settlement of the land-tax has been established by the actual results of the experiment tried in Bengal.

In 1793, the British in India were placed in a perilous position. "Public credit was at the lowest ebb, and the Government was threatened with hostilities from various powerful native chiefs. Lord Cornwallis saw that the only resource within his reach was, to establish public credit and redeem the extensive jungles of the country. These important objects, he perceived, could only be effected by giving to the country a perpetual land assessment."—(*Minute of the late James Pattle, of the Bengal Civil Service, written a few years before his death in* 1845.) The revenue, which was then derived almost entirely

from land, could scarcely be realised, in consequence of the uncultivated state of the country. The system of periodical assessments arbitrarily imposed, under which the revenue was collected, effectually discouraged the application of capital to agriculture, as it rendered the fruit of capital so applied liable to absorption in the Government demand, through an enhancement of the land-tax at the next assessment. In other words, and, as Lord Cornwallis himself expressed it, in a Minute written on the 18th September 1783 : " I may safely assert that one-third of the Company's territory in Hindustan is now a jungle, inhabited only by wild beasts. Will a ten-years' lease induce any proprietor to clear away that jungle and encourage the ryots to come and cultivate his lands when, at the end of that lease, he must either submit to be taxed *ad libitum* for the newly cultivated lands, or lose all hopes of deriving any benefit from his labours, for which, perhaps, by that time, he will hardly be repaid."

With the view, therefore, of inducing the landholders to improve their estates, Lord Cornwallis's Government, in 1793, fixed the land-tax in perpetuity, promising, in the most solemn terms, that no demand should ever be made for an augmentation of the public assessment in consequence of the improvement of their estates.

Much capital and labour were needed by the zemindars of Bengal to save their lands from attachment for arrears of revenue; for, in addition

to the heavy advances required for the clearance of jungle and the extension of cultivation, the payment of the land revenue itself had partly to be provided for from private means, until the land was rendered sufficiently productive to satisfy all the demands made upon it. Many zemindars were unable to fulfil these conditions, and their estates were sold for the recovery of the arrears due by them. Ultimately, however, the policy of 1793 was eminently successful in its main object. The estates put up for sale were bought by capitalists who, feeling confidence in the good faith of the Government, applied their capital to the improvement of the land; cultivation was rapidly extended, and, at present, the land revenue in the permanently settled districts of Bengal, is collected with a regularity unknown in the rest of India, and at a comparatively small cost.

With regard to the sacrifice of prospective revenue which a permanent settlement is alleged to involve, Lord Cornwallis wrote to the Court of Directors on the 6th March 1793: "If at any future period the public exigencies should require an addition to your resources, you must look for it in the increase of the general wealth and commerce of the country, and not in the augmentation of the tax upon land." That his anticipations in this respect also have been fully realised, may be seen from the following figures taken from the blue book on *East India Finance and Revenue Accounts for* 1875–76.

	Bengal.		Madras.		Bombay.	
		£		£		£
Land . . .		3,776,506		4,545,013		3,690,354
	£		£		£	
Excise . . .	608,818		633,901		397,528	
Stamps . . .	935,019		501,971		466,986	
Salt	2,561,553		1,353,789		880,441	
Provincial.						
Departmental . .	209,447		81,751		125,695	
Tolls, Port dues, &c.	1,008,232		13,825		5,215	
		5,323,069		2,585,237		1,875,865
		9,099,575		7,130,250		5,566,219

Thus it will be seen that the revenue, excluding land-tax, amounted in Bengal to £5,323,069
Madras ,, 2,585,237
Bombay ,, 1,875,865

These figures show that the revenue in Bengal, derived from sources other than land, far exceeds, at present, the amount of the land revenue, and that the receipts from similar sources in the other Presidencies, fall considerably short of the amount realised in Bengal.

The difference in favour of Bengal would be found still greater if the customs duties, which amounted in that year to £2,722,533, could also be duly apportioned, as they were collected on imports of which Bengal consumes the largest portion, and on exports of indigo, rice, and lac, which are likewise largely supplied by that Presidency; and the comparison will show still more favourably for Bengal in subsequent years, on account of the very heavy remissions of land revenue in Madras and Bombay, which have been necessitated by the drought of 1876 and 1877.

In addition to the above-mentioned advantages which have resulted from fixity in the Government demand upon land, the people in the Permanent Settlement districts of Bengal have been able to tide over seasons of drought and inundation without assistance from the Government, thereby realising another of Lord Cornwallis's anticipations, when he wrote on the 3rd February 1790: "There is this further advantage to be expected from a fixed assessment, in a country subject to drought and inundation, that it affords a strong inducement to

the landholder to exert himself to repair, as speedily as possible, the damages which his land may have sustained from these calamities. His ability to raise money to make these exertions will be proportionately increased by the additional value which the limitation of the public demand will stamp upon his landed property; the reverse is to be expected when the public assessment is subjected to unlimited increase."

In short, in no part of India has the material progress of the people been so conspicuous as in Bengal. In a recent speech at Calcutta, the Lieutenant-Governor of the province thus expressed himself on the subject: "I have just returned from visiting the eastern districts, and I may say, on this occasion, when my administration is only at the commencement, what I could not well say at a later period, without seeming to seek credit for the Government of which I am the head. Great as was the progress which I knew had been made in the position of the cultivating classes, I was quite unprepared to find them occupying a position so different from that which I remembered them to occupy when I first came to the country. They were then poor and oppressed, with little incentive to increase the productive powers of the soil. I find them now as prosperous, as independent, and as comfortable as the peasantry, I believe, of any country in the world; well-fed, well-clothed, free to

enjoy the full benefit of their own labours, and able to hold their own and obtain prompt redress for any wrong."

With these high and varied testimonies to the perpetual settlement of the land-tax as a means of extending cultivation and elevating the condition of the agricultural population of India, I shall close this paper, feeling confident that no one can rise from the perusal of them, ranging, as they do, from the time of Lord Cornwallis to the present day, without being convinced that they indicate the true direction in which the prevention or mitigation of famine will be found.

Is the Sultan of the Turks the Caliph of the Mussulmans and Successor of the Prophet?

READ AT A MEETING OF THE ROYAL ASIATIC SOCIETY

ON MONDAY, MAY 14, 1877

BY

NEIL B. E. BAILLIE, M.R.A.S.

AUTHOR OF
'THE MOOHUMMUDAN LAW OF INHERITANCE' 'THE LAND TAX OF INDIA ACCORDING TO THE MOOHUMMUDAN LAW' ETC.

LONDON
SMITH, ELDER, & CO., 15 WATERLOO PLACE
1877

IS THE SULTAN OF THE TURKS THE CALIPH OF THE MUSSULMANS AND SUCCESSOR OF THE PROPHET?

BOMBAY BRANCH
OF THE
Royal Asiatic Society.
CLASS 22 March

POSTSCRIPT.

London, 12th February 1878.

SINCE the foregoing pages were written, some friends have thought that a short *resumé* of the different methods of collecting the land revenue in India, might, by throwing [illegible] light on the main question treated in the pamphlet, greatly assist the general reader in forming a definite opinion in the matter. I have accordingly drawn up the following notes on the subject.

In Northern India the tax is assessed, or, as it is officially termed, the Settlements are made generally for thirty years, with the head-man, in the case of village communities, and, where estates exist, with the zemindar, or landlord, whose means of satisfying the Government demand are derived from the rents which he receives from his ryots, or tenant farmers. In the Madras and Bombay Presidencies the Government itself is, in most parts, the landlord, and the Settlements are made directly with the ryots, for from twenty to thirty years in Bombay, but annually in Madras. In Bengal and Behar, the Settlements which were in force in 1793 were, in that year, fixed in perpetuity; and, in the territories subsequently added to the Bengal Presidency, various modes of assessment have been introduced, the custom in Orissa being to make

Settlements for thirty years, while, in Assam, the ryotwaree, or Madras system of annual leases, has been adopted.

The principle on which the Settlements are made is, in the case of zemindarees, to claim half of the gross rental of each estate, while, under the ryotwaree system, every field is separately taxed, the rule in Bombay holding one-sixth of the gross produce to be a maximum, while, in Madras, the tax is designedly assessed so high that the ryot is able to pay it only after an abundant crop. There is, therefore, a heavy balance unrealised at the end of each year; remissions are made for such portions of this outstanding balance as are considered hopeless, and the remainder is held over for recovery, whenever possible, after exceptionally favourable seasons. The normal condition of the Madras ryot is, therefore, one of hopeless indebtedness.

The operations connected with the Settlements are of a complicated and inquisitorial nature, their aim being to ascertain, in the case of estates, their full rental, and, in the other cases, the full value of the crops raised on the land. As the rents collected by zemindars are paid, in some instances, in money, in others, in kind and in service, while certain lands, under traditional custom or special circumstances, are held rent free or for a trifling quit-rent, the rent-roll of the landlord does not furnish the revenue officer with data upon which he would consider himself justified in basing the Government demand. The Settlement operations, therefore, comprise the measurement of fields, the classification of soils, the ascertainment, by actual experiments, of the quantity of produce obtainable from each acre, the verification of the current prices of grain at different periods, and a careful consideration of the other circumstances, such as the vicinity of marts, and the means of communication, which contribute in determining the productive value of land.

The Settlements are entrusted only to distinguished and experienced officers; and, as the number of such officers available for that service is very small, in comparison with the vast extent of country which has to be assessed, not only are the operations slow (those in the North-Western Provinces occupied nearly twenty years), but it is impossible to carry out the investigations strictly in accordance with the rules; and inquiries and experiments are consequently confined to limited areas, which are selected as representing the conditions of a certain extent of country. This method, however, has, in no instance, led to a correct solution of the problem proposed, the elaborate calculations made under the orders of the Government having invariably resulted in figures which were obviously wrong. In 1833, Lord William Bentinck made the following pertinent remarks on this subject, with reference to a Report submitted by the Board of Revenue: "This gentleman took the greatest possible pains to introduce a system of minute inquiry into produce ..... he pointed out every possible mode of ascertaining the requisite information, and even suggested that experiments should be made by European officers themselves collecting different kinds of produce varying in quality, and appraising the value by ascertaining the market prices, after deducting all expenses. From the above extract, it will be seen how entirely his expectation has been disappointed. To ascertain profits, or, in other words, to convert gross into nett produce, seems to be decidedly impracticable." Accordingly, while the process prescribed by the regulations is still considered as furnishing the basis of the Settlements, the actual assessments imposed are chiefly the result of guess-work, the most important elements in which are the judgment and discretion exercised by the settlement officer.

A careful consideration of the above circumstances will

show the great necessity there is, under the existing system, of entrusting land-settlements not only to eminently qualified officers, but also to those alone who possess the confidence of the Government in a sufficient degree to render them independent of extraneous pressure in regard to the decisions at which they arrive in their delicate work. While the interests of the revenue are to be steadily kept in view, the utmost care has to be taken, in order to avoid imposing on the land heavier burdens than it can bear, without detriment to its productiveness; or, as Sir George Wingate, one of the most distinguished revenue officers in the Bombay Presidency, wrote on the subject in 1811: "No unnecessary reduction can injure the country, and the Government revenue can only suffer to the extent of such reduction. An error upon one side involves an inevitable ruin of the country; an error upon the other, some inconsiderable sacrifice of the finance of the State; and, with such unequal stakes depending, can we hesitate as to which should be given the preponderance?"

During the last fifteen years a great economic revolution has been going on in India. The large amount of English capital expended in the construction of Indian railways, greatly ameliorated, for a time, the condition of the labouring classes. The American war gave an extraordinary stimulus to the cultivation of cotton and jute; the completion of the Indian railways opened new marts for agricultural produce, while the Suez canal and the establishment of direct telegraphic communication with Europe, imparted increased activity to the export trade of India. An increase in the value of agricultural produce ensued, and the extraordinary rise, which was maintained for about two years, in the price of cotton, brought, for a time, unprecedented prosperity

among the cultivating classes in the cotton districts. The land-settlements were then in progress in Bombay and the North-Western Provinces, and the financial difficulties of the Government, which resulted in the panic of 1869, induced the authorities to exercise great pressure on settlement officers, with the view of increasing the revenue from land. Newspapers, believed to represent the views of the Government, were full of exaggerated and incorrect statements regarding the prosperity of the agricultural classes in general, and their ability to bear greatly increased assessments of the land-tax, with perfect ease. The *Economist*, in particular, used language which nothing can justify, and to which it had recourse, perhaps, in the hope that strong expressions would divert attention from the weakness of its arguments and the incorrectness of its figures. The following extract will give an idea of the tone of the articles which appeared in that paper at the time: "Upon Sir John Lawrence mainly rests the guilt, for it is difficult to find another word adequately to express the wrong which his advice involved, of advising the settlement of the land revenue in the N. W. Provinces in perpetuity . . . . But for the dull obtuseness of the *late* Viceroy, the land revenue would have increased for years past, as the leases fell in, at the rate of a quarter of a million a year." Under the influence of similar opinions, the pressure put upon settlement officers to raise the assessments was so great, that several revenue officers considered it their duty to warn the Government of the danger involved in the course which was being pursued. The warning, however, was unheeded, and the results of the action taken soon appeared in the extent of land thrown out of cultivation. Several years elapsed before the Government recognized the fact that the enhanced assessments were oppressive, or ordered any revision of the Settlements. Meanwhile, the drought of 1876

brought on the famine which is still desolating the country, and the severity of which was greatly increased, in consequence of the many thousand acres of good land which had been left uncultivated for several seasons in the Bombay Presidency. In the North-Western Provinces, the following passage in the Administration Report for 1871-72 shows that entire estates were allowed to be almost depopulated under the pressure of the land-tax, before the Government noticed the fact: "The Lieutenant-Governor, while travelling through the Lullutpore district, was forcibly struck by the traces still remaining of the injury it suffered in the famine of 1868. The Settlement had been revised" (*i.e.* raised) "just before that time . . . . Disease followed famine. Extensive emigration . . . . Many estates had been so depopulated, and so much land had fallen out of cultivation, that the assessment, previously moderate, had become very severe. A fresh revision was accordingly directed, in order that a reduction might be granted wherever it was necessary."

—The above statements and extracts show that, under the system of periodical land-settlements, which prevails throughout the greater part of the Empire, the financial difficulties of the Government may, at any time, lead to the ruin of agriculture, which is the staple industry of the inhabitants, through excessive burdens being incautiously imposed on the land; and, in a political point of view also, the injudicious enhancement of the land-tax may be productive of very serious evil. Zemindars, in order to meet the increased demand made upon them, have been compelled to raise the rents of their ryots, heedless of the inability of the latter to pay higher rents, and an appalling increase has ensued in the amount of litigation between landlords and tenants, in

reference to which the Lieut.-Governor of the North-Western Provinces inserted the following significant observation in the Administration Report already mentioned: "The antagonism of classes, whose interests lie so closely together, and who have hitherto been connected by so kindly a bond, is one of the greatest political dangers of the day."

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PREFACE.

THIS PAPER, though printed, was not intended for publication. But the impression that the Sultan of the Turks is the legitimate Caliph or successor of Mohammed seems to be spreading among the Mohammedans of India; and as I think that they cannot be aware that the claim is in direct opposition to an express declaration of their Prophet himself, I have resolved to publish the Paper, as the best means of bringing the fact to their notice, in the hope that it may be of some use in undeceiving them on a point of some importance.

Since the Paper was read at a meeting of the Royal Asiatic Society, a pamphlet has been published by Mr. Redhouse, under the title of 'A Vindication of the Ottoman Sultan's Title of Caliph,' in which some doubt is cast on the authenticity of the Prophet's saying, though it is not expressly contradicted. To meet this doubt it is sufficient for the purpose of this Paper to show that the saying is not only admitted by the Ottomans themselves, but is actually included among the articles of their faith

in a work of which M. d'Ohsson says in his 'Tableau Général de l'Empire Othoman,' that it holds the place of a catechism in the public schools, and in the colleges where doctrine and law are studied by all those who devote themselves to the career of the Oulemahs. The work he styles 'Abrégé d'Omer Nessefy,' and further adds that it comprehends fifty-eight articles, which are, so to speak, the soul and essence of Mussulman doctrine. The 35th of these articles—to quote M. d'Ohson's own words, which appear to be a translation from the original text—is as follows: 'Que l'homme doit être issu du sang des Coreyschs. Ce point est appuyé sur cette parole du Prophète: "Les Imams doivent être de la race des Coreyschs.'"

Is the Sultan of the Turks the Caliph of the Mussulmans and the Successor of the Prophet?

THE atrocities in Bulgaria have brought a scandal on Mohammedanism, to which there seems to be some disposition to ascribe them, rather than to anything peculiarly ferocious in the character of the perpetrators. This may be owing in some degree to the prevalence of two opinions: one that the Mohammedan religion is so essentially intolerant as to be quite inconsistent with impartial government over a mixed population of believers and unbelievers; and the other that the sovereigns of Turkey are the true *Imams* or heads of that religion, as the representatives of the Caliphs or Successors of the Prophet.

Both these opinions I believe to be erroneous; but I confine myself at present to an attempt to refute the latter, as involving issues which extend beyond the Turkish empire, and in particular may affect a large proportion of her Majesty's Mohammedan subjects in India.

Before adverting to the authorities which I think fully bear out the refutation of the second opinion, I will give a brief history of the *Imamut* or office of

Imam, so far as I have been able to trace it from its institution down to the present time.

We are told by Maverdy in his 'Political Constitutions,'[1] that the object or purport of the institution was to provide for the *Khilafut* or succession to the Prophet in the guardianship of religion and the government of the world.

The office is held by the Soonnèes to be elective; but by the Sheeahs it is held to be hereditary in the family of Aly.

The person first selected to succeed the Prophet assumed the title of *Khaleefah*, or Successor to the Apostle of God. The person next in succession was in like manner styled the *Khaleefah* of the *Khaleefah* of the Apostle of God. But as the title, if continued in the same way, would soon have become too cumbersome, *Ameer-ool-Moomineen*, or Commander of the Faithful, was, with universal consent, substituted for it, and ever after continued to be the title of the occupants of the *Khilafut*.

The Turks, as well as the great mass of the Mussulmans of India, are supposed to be Soonnees of the school of Aboo Huneefa, and concur with the Soonnees of the other schools in recognising the four first successors of the Prophet, together with the princes of the House of Ommiyah, who reigned at Damascus, and those of the House of Abbás, who reigned first at Cufa, and afterwards at Baghdad, down to its capture by the Tartars, as the only true and legitimate Imams and successors of the Prophet to that time.

Baghdad was taken in the year 656 of the Hegira, corresponding to A.D. 1258, and for a short

[1] Al Ahkam As-Sultaniyah.

time the *Khilafut* remained entirely vacant. But about two-and-a-half years after that event, according to some reports, a person named Ahmed was brought to Bibars, the reigning Mameluke sovereign of Egypt, by certain Arabs, who declared him to be the lawful son of the *Khaleefah* Dhaher Ben Nasser, of the House of Abbás. This Dhaher Ben Nasser, who had assumed the title of Dhaher Billah, was the penultimate Caliph of Baghdad, and died in the 623rd year of the Hegira, or nearly forty years before the appearance of Ahmed in Egypt. Bibars, the Mameluke sovereign, nevertheless, is said to have convoked an assembly of the Imams and Doctors of Mohammedanism in Syria and Egypt, concerning his condition and person. In his appearance there was nothing to indicate that he was of the blood of Abbás, but the assembly having examined witnesses, and carefully considered the records of the family, pronounced him, under the authority of Bibars, to be by birth, and by the death of Mostadem, the true and lawful Caliph of the Mussulmans, and gave him the title of *Mostanser Billah*, which signifies 'seeking assistance of God.' Being thus installed, he was generally acknowledged throughout the Mameluke dominions in Egypt and Syria, but without any temporal authority; for nowhere was he or any of his successors regarded as anything more than as the Imams or chiefs of the Mussulman religion. Even in that limited capacity they were elected and deposed at the pleasure of the Mameluke sovereigns of Egypt.[1] Still they were held in reverence, and made use of by them, to confirm or strengthen by religious sanctions

[1] D'Herbelot, *Bib. Or.* pp. 633, 987.

their own authority over their people. They were even recognised, nominally at least, as the source of temporal dignities, and were used by the Mameluke soldiery to deprive of regal authority the sovereigns whom they deposed. We have one instance of such recognition by a foreign sovereign, in the case of Bayezeed, commonly called Bajazet, a ruler of the Ottoman Turks, who is said to have sent presents and an embassy to one of these Caliphs, in the year 797 of the Hegira, praying him to confer on him the royal dignity by his letters patent.[1] This incident is related by Gibbon, as follows: 'The humble title of Emir was no longer suitable to the Ottoman greatness; and Bajazet condescended to accept a patent of Sultan from the Caliphs, who served in Egypt under the yoke of the Mamelukes; a last and frivolous homage that was yielded by force to opinion by the Turkish conquerors to the House of Abbás, and the successors of the Prophet.' These Caliphs or Successors, such as they were, were put an end to in the person of *Motawakkel Billah*, the second of that name, when Egypt was conquered by the Turkish emperor, Selim I. That event took place in the 923rd year of the Hegira, and Motawakkel was carried captive to Constantinople, where he remained till after the death of Selim, A.H. 926, corresponding to A.D. 1519, when he returned to Egypt, and is said to have lived till A.H. 945, or A.D. 1538, but without any recorded attempt to resume the religious functions of the *Khilafut*.[2]

Nor is there any mention of any subsequent Caliphs in the 'Bibliothèque Orientale,' by M. d'Her-

[1] D'Herbelot, *Bib. Or.* p. 987. [2] Ibid. 643.

belot, or the 'Modern Universal History,' or, indeed, in any other authentic history with which I am acquainted. But we are told by M. D'Ohson, in his 'Tableau Général de l'Empire Othomane,' that, at the time of the conquest of Egypt by the Turks, a formal renunciation was made of the *Khilafut*, by the House of Abbás, in favour of the Ottoman Sultans, and that, by virtue of such renunciation, the right to it was transferred to and acquired by the latter in the person of Selim I. according to the unanimous opinion of modern jurists. M. D'Ohson does not mention who the jurists were, nor does he appear to quote any authority for the facts stated by him. But assuming these, for the sake of argument, to be true, and that the formal renunciation alleged by him actually took place: further, also, assuming that Mostanser Billah was a true scion of the House of Abbás, which, besides the death of Mostadem, the last legitimate Caliph, was the only ground of his recognition by the Council of Bibars, let us now consider the legal effect of these transactions, and whether they were sufficient to carry on the true Apostolical succession from Mohammed to the present Head of the Turkish empire, who is broadly asserted in the new constitution to be the Caliph of the Mussulmans, and who is now about to unfurl, as he is reported to have said, the flag of the *Khilafut* and *Sultanut*.

First, then, is the *Khilafut* hereditary? There is no doubt that the four first successors to Mohammed were elected, and in some of the cases after rather stormy discussion. Moreover, the succession is expressly stated by Maverdy to be matter for *ikhtiyar* or choice, and certain qualifications are

specified as being necessary for both electors and elected. It is true that for about eighty years the office remained in the family of Ommiyah, and for five hundred more in that of Abbás. But that is not inconsistent with the office being elective, for there might be nothing (as in law there was not) to prevent the selection of a son, or any other member of the family of the last occupant, to be his successor. And, indeed, as the Mohammedan Law does not recognise primogeniture, and there cannot be two Imams at the same time, the rule of strict hereditary succession would be inapplicable if the last Caliph happened to leave two or more sons, or persons in the same degree of kindred to him.

There are two ways of supplying a vacancy in the *Khilafut* when it occurs, one by the choice of properly qualified electors, and the other by appointment of the last Caliph. With regard to the first mode some have had an idea that there ought to be a concurrence of all the qualified electors in every city: so that there might be an universal agreement in the appointment of the Imám. But this opinion is repelled by the fact that Aboobekr was elected by those who were present at the first meeting for the purpose of choosing a successor to the Prophet, without waiting for any absentees.[1] There still, however, remains the question, how many are required to give validity to the election. On this point there is no other guide than precedent, and most of the lawyers of Basrah are agreed that the concurrence of not less than five qualified persons is required for that purpose, founding their opinion on two facts. The first is the election of Aboobekr,

[1] Maverdy, p. 6.

which was by five persons, and was generally assented to by the whole community; the second is, that Omar when dying appointed a Council of six persons, so that one should nominate to the Khilafut, with the consent of the other five.[1] Those who happen to be present in the city of the Imam have no preferential right to appoint his successor, though they may usually do so, as having the first intelligence of his death. And when two Imams have been appointed in different cities, though some are of opinion that the preference should be given to the appointment by the city in which his predecessor died, the valid opinion is, being that of the best lawyers, that the office belongs to the person first appointed.[2]

With regard to the second mode of appointing an Imam, namely, by his predecessor, there is a general agreement as to its legality, which has been established by the Mussulman community having acted upon it on two occasions; first, by confirming the nomination of Omar by Aboobekr, and secondly by accepting the Council of six persons nominated by Omar to select his successor.[3] When an Imam has nominated the person to succeed him, it is necessary that the person appointed should accept the appointment, which according to some ought not to be done till after the death of the appointer, but according to others, and theirs is the valid opinion, should be between the appointment and the death, in order that the transfer of the office may be completed by acceptance. It is to be observed that the appointment once made and accepted cannot be cancelled without the resignation of the *Wulee-ahd*

[1] Maverdy, p. 7. [2] Ibid. p. 10. [3] Ibid. p. 12.

or person nominated, and that if a second appointment were made without such resignation, the appointment would be void.[1]

Having now stated, on what I believe to be unimpeached authority, the rules by which the *Khilafut* or succession to Mohammed is regulated, I proceed to remark that there is no evidence that either of the two modes of appointment was observed at the inauguration of Ahmed, otherwise called Mostanser Billah, or of any of his successors in what has been called the second Abasside dynasty. The Council summoned by Bibars, the Mameluke Sultan of Egypt, seems to have proceeded solely on the erroneous supposition that the *Khilafut* was hereditary in the family of Abbás, and the successors of Ahmed were set up, apparently without any pretence of election, and deposed at the pleasure of the Mameluke Sultans, down to the extinction of their own dynasty by the conquest of Selim I. With regard, again, to the alleged renunciation by the last of these so-called Caliphs, it was not merely in favour of Selim, but in that of the Ottoman Sultans generally; so that each one of that family, so soon as he is promoted to the civil and military dignity of Sultan of the Turks, becomes *de jure* Imam, that is, religious head of the whole Mussulman community. M. D'Ohson has not cited any precedent or authority for this extraordinary doctrine, but the opinion of certain unknown jurists (l'opinion unanime des juristes modernes) and the homage received by Selim from the Shereef of Mecca, who presented to him in a silver dish the keys of the Caaba. Leaving to others to determine whether that renunciation

[1] Maverdy, pp. 13, 14.

and homage were sufficient to justify the pretensions of the Grand Signor, if there were no other objection to them, I have further to remark that there is an objection, which appears to me to be fatal to these pretensions altogether.

Hitherto, I have said nothing of the qualifications that are required for the *Khilafut.* With one exception they may all be summed up in the justice and piety of the individuals. The exception is confined to the elected, in whom it is required, in addition to the other personal qualifications, that he shall, by *nusub* or lineage, be of the Arab tribe of *Koreish.* For this exception there is *Nuss* or express authority, in a saying of the Prophet himself.[1] And all the Caliphs of the Houses of Ommiyah and Abbás belonged to that tribe, as did also the four first Caliphs. Now, it was upon the authority of that saying of the Prophet, that, at the meeting for the choice of his successor, Aboobekr was preferred to Saad-Ben-Abad, who was put forward by the *Ansars*, or Helpers of Medina, as their candidate for the *Khilafut.*[2] To assert, then, that anyone who is confessedly not of the tribe of *Koreish* can be a vicegerent of the Prophet, and the Imam, or religious head of the Mussulman community, is little short of flying in the face of the Prophet himself, and, by inference at least, stigmatising as usurpers all his successors in the long chain of Caliphs down to the taking of Baghdad by the Tartars. But this is what M. D'Ohson has done, for he actually quotes the saying in question as 'cette parole du Prophète: Les Imams doivent être de la race des Coreyshites,' and admits that 'la

[1] Maverdy, p. 5. [2] Ibid. p. 6.

maison Othomane n'a plus l'avantage d'être du même sang, comme exige la loi canonique pour avoir droit à l'Imamut.' Yet he tells us that nevertheless (cependant) according to the unanimous opinion of modern jurists, the right has been acquired to them by the formal renunciation made in their favour in the person of Selim I. I have already said that he has not informed us who the jurists were; and I will now put it to the Mussulman lawyers in Bengal and the North-Western Provinces of India, whether a renunciation, supported by no other authority than the opinion of unknown jurists, is sufficient in *their* opinion to override the authority of an express tradition of their Prophet, the authenticity of which is not called in question.

In a petition to her Majesty from the Mussulmans of Bombay, it is stated that the sovereign of the Turks is looked upon by the vast majority of her Mohammedan subjects as the vicegerent of the Prophet, and the recognised religious head of forty millions of her subjects.

Mussulmans generally all over the world are supposed to consist almost entirely of two sects, called Soonnees and Sheeahs; and both have been supposed to agree, with perhaps some exceptions, that the Imam or religious head of the community must be of the tribe of *Koreish*, though the Sheeahs have added to the qualification, that he must also be of the family of Aly. But if the assertion of the Bombay petitioners be correct, the vast majority of the Mussulmans of India must have relapsed into the heresy of the Kharejites—a sect that was almost exterminated by a victory obtained over them by

Aly, in the thirty-eighth year of the Hegira. Their heresy consisted chiefly in affirming that a man might be promoted to the dignity of Imam, *though he was not of the tribe of Koreish* [1]—a doctrine which we have seen was in direct contravention of an undoubted saying of the Prophet himself. But they also held that there was no necessity at all for an Imam in the world. On this point there is no recorded decision of the Prophet, and the opinion may, it would seem, be entertained by Soonnees without exposing themselves to the charge of heresy. Indeed, that opinion, though it may not have been openly avowed in theory, has been practically acted upon to a great extent by Mussulmans all over the world, with the exception, perhaps, of those subject to or under the influence of the Ottoman Turks. For instance, the Persians and a considerable body in India who are Sheeahs, have held, since 'The Imam Muhudy, their twelfth and last spiritual, as well as temporal leader, retired from human observation,' that 'the temporal as well as spiritual government have devolved, during his absence' (he is supposed to be still alive), 'upon the *Moojtuhids* or enlightened teachers of the law, as his vicegerents on earth,' and consequently every assumption of 'power by any earthly potentate is considered by this sect to be tyrannical and unjust.' [2] With regard again to the Soonnees—during a residence of upwards of twenty years in India, where I had considerable converse with persons of that sect, I do not remember to have ever heard so much as an allusion to any religious head of their community.

[1] *Modern Universal History*, vol. i. p. 388.

[2] Baillie's *Digest of Law according to the Twelve Imams*, p. 143.

Nor have I met with any such allusion in my reading (perhaps not very extensive) of Indian History. Further, I have not met with anything on the subject of the *Imamut* in the Hidayah—a leading authority on Mohammedan Law, though one whole volume of the original text is taken up with religious observances, and a considerable part of another volume is occupied with *Jihad*, or religious warfare, and other kindred subjects. The same remark is applicable to the great Digest of Mohammedan Law prepared in India, and called the Futawa Alumgeeree, a great part of which is occupied in the same manner.

For these reasons I have come to the conclusion that there has not been any generally acknowledged Imam or religious head of the Mussulman community since the taking of Baghdad by the Tartars.

Be this, however, as it may, it is beside the question at the head of this paper, to which I believe no other answer can be given than this: That the Sultan of the Turks is *not*, whoever else may be, the Caliph of the Mussulmans, and the successor of their Prophet.

This answer, which is in strict conformity with the Mohammedan Law, is confirmed by the opinion of Gibbon, who has said expressly that 'The Ottomans cannot style themselves, like the Arabian Caliphs, the descendants or successors of the Apostle of God.' And it is farther strengthened by the precedent given by Mr. Lane of the *Khoot'h* pronounced on Fridays in the great mosques at Cairo, in which the Turkish sovereign is mentioned only as the 'adored King, our master the Sultan,' while the four first successors of the Prophet are

styled 'Khaleefahs' and 'orthodox heads of high dignity and illustrious honour.'

I have already referred to the declaration of the Turkish Sultan, that he is about to display the flag of the *Sultanut* and *Khilafut*. *Sultanut* means government, and, if the word stood alone, the flag would be only an appeal to his subjects generally, on their loyalty to him as their temporal sovereign, to combine in the defence of their common country against a foreign aggressor. *Khilafut* has a wider significance, and a banner with that word inscribed upon it would be an appeal to Mohammedans all over the world, and a call on their spiritual allegiance to join in a sacred warfare for the defence of their religion. It would, in fact, be tantamount to the proclamation of a *Jihad*, and might have a most disastrous effect on the Mohammedans of India, in the present excited state of their minds. In these circumstances, I have thought it right to put them on their guard against a delusion by which they might be betrayed into a course inconsistent with their duty as the subjects of a neutral power.

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